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CIS

IMPLEMENTATION OF THE PAPERWORK REDUCTION ACT OF 1980

HEARING

BEFORE THE

SUBCOMMITTEE ON FEDERAL EXPENDITURES, RESEARCH, AND RULES

OF THE

COMMITTEE ON GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

NINETY-SEVENTH CONGRESS

SECOND SESSION

APRIL 14, 1982

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IMPLEMENTATION OF THE PAPERWORK REDUCTION ACT OF 1980

WEDNESDAY, APRIL 14, 1982

U.S. SENATE,
SUBCOMMITTEE ON FEDERAL EXPENDITURES,
RESEARCH, AND RULES,
COMMITTEE ON GOVERNMENTAL AFFAIRS,
Washington, D.C.

The subcommittee met, pursuant to notice, at 2:10 p.m., in room 3302, Dirksen Senate Office Building, Hon. John C. Danforth (chairman of the subcommittee) presiding.

Staff present: B. Reid Detchon, staff director; Robert E. Coakley, minority professional staff member; and Patricia A. Otto, chief clerk.

OPENING STATEMENT OF SENATOR DANFORTH

Senator DANFORTH. April 1 marked the first anniversary of the Chiles-Danforth Paperwork Reduction Act. The purpose of today's hearing is to assess the progress that we have made over the past year in bringing Federal paperwork under control, and to look to the future. The authority we gave to OMB—to review and veto Federal paperwork—is due to expire in 1984. It is therefore important that we get a firm sense of the act's strengths and weaknesses. If the act is not working, we want to know now, and we want to know why. If there are mistakes we can correct, we will correct them. At the same time, if the act can be called a success, it is important that we begin to create a record of its accomplishments.

Renewing the Paperwork Reduction Act will be no small task. Already agencies are looking for ways around the act and sneaking piecemeal exemptions into the law to remove various and sundry programs from OMB scrutiny. Advocates of such programs argue that OMB is stifling creativity—and Government managers seeking exemptions from the act seem to believe that burdensome paperwork will somehow be OK if there is no one at OMB to play tattletale.

That, of course, is the danger. When Lawton Chiles and I wrote the Paperwork Act, we put OMB in charge because we were firmly convinced that agencies could not and would not control their own paperwork. I remain convinced that such authority is necessary and important and that it must extend Government-wide.

Today we will receive OMB's report on its accomplishments during this first year. In my own view, we have made some important strides. We have already eliminated 1 hour of paperwork for every man, woman, and child in America. I hope that from these aggressive beginnings good results will follow.

At the same time, I hope that Congress and the American people will not be lulled into complacency by the thought that OMB has things under control. We must continue to be vigilant—insuring that new paperwork requirements are justified, looking out for efforts to shield programs from OMB review, and exposing lax or indifferent enforcement of the act.

OMB is not the only player in this game. On March 23, along with Senators Roth, Chiles, and Eagleton, I introduced S. 2258, the Congressional Reports Elimination Act of 1982, which would eliminate or modify more than 200 reports now required by Congress. Enactment of this legislation would make an important contribution to paperwork reduction within the bureaucracy.

A year ago, I told our first "paperwork czar," Jim Miller, that in cutting back paperwork we don't need a scalpel—we need a machete. My view today is unchanged, and my advice to Chris DeMuth, his successor and our first witness, is: "Hack away!"

Mr. DeMuth.

TESTIMONY OF CHRISTOPHER DE MUTH, ADMINISTRATOR FOR INFORMATION AND REGULATORY AFFAIRS, OFFICE OF MANAGEMENT AND BUDGET

Mr. DeMuth. Thank you very much, Mr. Chairman. I very much appreciate the opportunity to appear before your subcommittee this afternoon to discuss our progress during the first year of the Paperwork Reduction Act of 1980.

I have submitted for the committee our first annual report, as well as a copy of prepared testimony which summarizes the highlights of our first report.

I would like to go over a few aspects of the testimony at the outset and leave as much time as we can for questions that you may have.

The Paperwork Reduction Act is an ambitious attempt to control the Government's use of information. It requires that we improve the management of Federal information activities toward two ends: first, to minimize the burden imposed on individuals, businesses, and other levels of government by the Federal Government's reporting and recordkeeping requirements; and, second, to encourage the efficient use of information within the Federal Government. The unifying theme of the act's various provisions is that information is a scarce economic good which, like all goods, has costs of production as well as benefits of use.

The report that we have submitted today shows that we've made a good start in making the Government's demands for and uses of information more efficient and that we are laying the groundwork for larger improvements in the future.

The act expanded OMB's responsibility to review agency information requests in three important ways. First, it brought within the scope of review several major agencies previously exempted—especially the Internal Revenue Service, which alone accounts for almost half the burden imposed by Federal information collection. Second, through the public protection clause, it put new teeth in the clearance process by providing that people may not be penalized for failing to comply with unauthorized information requests. And, third, it imposed tight deadlines on us at OMB and procedural requirements to insure that the act's review authorities did not slow down important Government activities.

As a consequence of these changes, the number of reports clearance actions has increased by almost two and one-half times over comparable periods for the 2 years prior to the act's enactment. From April 1981 to this past March, we acted on over 5,000 requests at OMB compared to 2,169 during the previous period. Notwithstanding this dramatic increase in our workload, all but 13 of the more than 5,000 requests we received were acted upon within the time limits, and, in fact, our reviews have been completed in an average of 36 days.

The act requires OMB to list all known violations of its provisions. Since the public protection clause—the act's principal detection and enforcement mechanism—has been in effect for only a few months now, the list of violations in our first report is quite limited, but we do receive inquiries on the subject and we expect the public to play an increasingly important role in stimulating agency compliance.

To supplement case-by-case reports review and clearance, we have established a planning and budgeting process we call the Information Collection Budget. Our fiscal year 1982 budget announced by the President in February is for 1.3 billion burden hours, which is a reduction of 13 percent from the 1.5 billion burden hours in place when President Reagan took office in January 1981.

By the end of the current fiscal year, paperwork burdens imposed on recipients of grant assistance—a particular concern of this committee and the Congress in drafting the act—will have been reduced by nearly 25 percent compared to the act's goal of 10 percent.

I brought with me one example of what I believe to be an important reduction in Government paperwork that is reported in statistical detail in our 1982 Information Collection Budget, but I believe has even more impact visually.

The various forms used by hospitals for providing information—billing information to Medicare, State Medicaid programs, and private insurers—has become a paperwork nightmare in the past decade. There are literally hundreds of various forms currently in use. There are four Medicaid forms. There are well over 50 State Medicaid forms and hundreds of individual forms for particular insurance companies and health plans.

Over the past several years, with HHS's leadership and the active participation of insurance companies and hospital associations finally coming to fruition this year, all of these masses of forms are now being reduced to a single uniform billing form, which is displayed on the right in comparison with a sampling—a small sampling of the current forms in use on the left.

Currently, each hospital uses over 10 forms and over one third of all hospital patients need multiple forms to bill for every visit they pay to the hospital. This is the subject of enormous frustration not only to those in the Government and in hospitals, but to patients themselves who often arrive at the hospital in some state of urgency only to be greeted by a barrier of paperwork.

The uniform billing form, UB82, is going to be phased in between now and fiscal year 1986, and it is going to result in a reduction of paperwork burden to the American public on the order of several million hours each year.

I also want to mention that the Reagan administration is particularly sensitive to public complaints about burdensome and duplicative reporting requirements and has elevated the importance of paperwork reduction through the Presidential Task Force on Regulatory Relief which is chaired by Vice President George Bush.

Over and above our work in compiling the Information Collection Budget, during the past year the task force has designated several major paperwork issues that are particularly burdensome, especially to small businesses. We have task forces working on those in the agencies with OMB participation, including some of the greatest paperwork burdens in the Federal establishment; such as, ERISA and many wage and hour reporting requirements.

We think that the congressional policies in these laws can be achieved with far less reporting burden on individuals and businesses, and it is a matter of great concern to the President and Vice President. The people in the agencies know it, and the cooperation we have been getting has been excellent.

The Paperwork Reduction Act requires OMB to establish a Federal Information Locator System (FILS) to serve as an authoritative register of all Federal surveys and other information collections. It is intended to help Federal managers locate existing information collections in order to minimize new ones by using information already available within the Government.

In the 11-month period covered by our annual report, you will see that we've identified only 19 information collections that would have duplicated information already available elsewhere in the Federal Government.

It appears to us from this first year's record that duplicative information collections are only in part the result of lack of information on the part of Federal managers. Frequently, managers know that the information they are after has been collected elsewhere in the Government, but it is unavailable outside the collecting agency because of confidentiality or other legal or administrative restrictions.

FILS alone cannot be expected to have a major impact on reducing this sort of duplication in information collection. Rather, it must be a part of a larger strategy, which would include extension of confidentiality protections and greater interagency sharing of administrative data and statistical survey microdata.

We are actively pursuing with the agencies such approaches to the duplication problem, and this is discussed in our report.

OMB announced last fall that it did not have the resources to establish FILS by April 1, 1982, which is the statutory deadline. We are, however, making rapid progress within existing fiscal constraints. We recently concluded an agreement with the Department of Defense to serve as the executive agent for FILS and to use the DOD IRCAS system as the basis for establishing a FILS prototype which will be done by next fall.

I also want to mention information resources management, a central theme of the Paperwork Reduction Act. Under the audit and review requirements of the act, we have directed each agency to prepare a plan for intensive review of selected information management activities, and a report describing 66 reviews now under way in 26 major information intensive agencies was released a few weeks ago.

Under our statistical policy functions, we have just completed a study of principal statistical programs from fiscal years 1981 through 1983. It shows that large reductions in statistical surveys have been limited largely to enforcement-related collections of energy statistics. Some other economic surveys are going to have to be reduced in industry-specific and geographic detail to accommodate reduced agency budgets, but social statistics as a whole generally show no or little changes in funding over the 3-year period.

Finally, I would like to address, if I may, your request that I provide an assessment of changes in Federal law which are needed to strengthen or clarify the act, or to eliminate statutory impediments to paperwork reduction. With regard to the latter, our report does contain a list of laws establishing reporting and recordkeeping requirements that we believe are excessive and ought to be modified or repealed. With respect to the Paperwork Reduction Act itself, we share the committee's concern about pressures from the agencies and elsewhere for special exemptions from the act. For example, S. 2198, titled the "Taxpayer Compliance Improvement Act of 1982," presently contains a provision to exempt the Internal Revenue Service from OMB review of its forms, regulations, and recordkeeping requirements. The administration is opposed to this provision and we urge that it be deleted from the bill.

The IRS is responsible for nearly half of all Federal paperwork, and the length and complexity of its forms and recordkeeping requirements are a major source of frustration to individuals and businesses, especially small businesses.

We all know that an important part of the problem is the complexity of the Tax Code itself, but even within existing tax law, major reforms are possible to reduce Federal paperwork without jeopardizing revenues.

I would like to mention in the statutory area, also, that we have recently developed a report listing 200 reports to Congress in addition to those eliminated in the last few years. These reports are, in our view, excessive, not important to the Congress, little used, and quite burdensome on the executive branch; and I would like to say that we very much appreciate the support and sponsorship of the chairman and ranking minority member of this subcommittee, as well as their counterparts in the House of Representatives, and we look forward to early enactment of this paperwork reduction legislation.

I would like to conclude here by saying that we believe that major improvements in the efficiency with which information is used within the Federal establishment will, over the long run, require some fundamental changes in the incentive structures that we face within the executive branch.

Too often we find that information of one sort or another is treated as a free collective good. and like everything else that is free, it is overused. And while there may have been good reasons for some of the policies that we face with regard to printing, storage of records, use of telecommunications technology and automated data processing technology in the past, we believe that greater use of internal pricing systems and other incentive structures to force the individual agencies to confront squarely costs of the resources that they are consuming holds great potential for improving information management within the Federal Government.

Thank you very much.

Senator DANFORTH. You think in sum that the program in its first year has worked very well? You would view it as a great success?

Mr. DEMUTH. I think it has been a great success. The authorities in the act are quite broad. It is going to take some time for agencies to adjust, but we think we're off to a very solid start.

Senator DANFORTH. And do you think that the effect of this has been to save the Government money and to save the public money as well?

Mr. DEMUTH. I would say that so far, given that we have focused primarily on paperwork reduction, the biggest savings have been to private individuals. We are just beginning, for example, with our auditing procedures, to do as much in reducing costs within the Federal Government.

Senator DANFORTH. You indicated that the support that you had received from the various departments of the Federal Government had been excellent. Has that been pretty much uniformly the case, or are there problems?

Mr. DEMUTH. I would say that some agencies have been more enthusiastic about the act than others.

Senator DANFORTH. Supposing—I won't ask you to go through a list of those which have been unenthusiastic—but suppose there is a hypothetical agency which is not enthusiastic about the program. How do you deal with that? I mean, supposing that the secretary of X says, "Well, who is OMB to be concerned about my forms? We like our forms. They've been with us for 20 years; we want to keep them. We are old friends." And you take the position, "Well, this is useless." Who is the arbiter?

Mr. DEMUTH. As the authors of this act, I think, were quite prescient and wise to write into law, the final arbiter is OMB.

With regard to many aspects of the act, the primary authority is with the agencies. With respect to the clearance of forms, reporting and recordkeeping requirements, the authority is with the Office of Management and Budget. That's where the act places it, and we take that responsibility very seriously.

There are standards written down in the act having to do with a need and utility, importance to the statutory responsibilities to the agency, and our decisions are based on those criteria.

Senator DANFORTH. Can the head of an agency, if he wants to, thwart the operation or hinder the operation of the law?

Mr. DEMUTH. One can always slow things down, but the act says very clearly that forms and reporting requirements must be approved by OMB, and no one can be penalized for not complying with them if they are not.

Senator DANFORTH. You don't have any specific statutory proposals for change?

Mr. DEMUTH. Not along those lines, no, sir, not right now.

Senator DANFORTH. Let me ask you about S. 2198. That bill, of course, has a great deal of appeal. The chairman of the Finance Committee is a sponsor of it, and at a time when we are trying to close the budget deficit, anything which offers the possibility of increasing compliance with the Internal Revenue Code is going to be something that will be sought after by the Congress.

The bill, as you pointed out in your testimony, creates an exemption to the Paperwork Reduction Act for the Internal Revenue Service. Is it your view that the purpose of the Taxpayer Compliance Improvement Act can be carried out without the exemption to the paperwork bill being in the act?

Mr. DEMUTH. Yes, sir, I believe so. I think that the exemption provision is a tag-on; it is not related to any of the revenue collection measures elsewhere in the act. There are several parts of that act that the administration has supported. I think they will be effective in increasing revenues.

There is no question that they will have some effect on IRS paperwork, that's true. But I suppose as a general matter, I should say that simply because the Internal Revenue Service is responsible for so much Federal paperwork, there is no reason for exempting IRS from the act. It seems to be quite the contrary. It is the best reason of all for including them.

The IRS has an important statutory mission, and they should be out there zealously collecting the revenues. And you have set us up with the statutory mission to be zealous in our review of the paperwork that they generate as a result, and it seems to me that that's an appropriate state of affairs.

Senator DANFORTH. Now, when the hearings are held on S. 2198, will the administration's position on the question of whether or not to exempt the IRS be a clear and united position?

Mr. DEMUTH. Yes, sir, it is strong and——

Senator DANFORTH. Clear?

Mr. DEMUTH [continuing]. Unqualified and unambiguous opposition——

Senator DANFORTH. Unqualified?

Mr. DEMUTH [continuing]. To that section.

Senator DANFORTH. The last time I had the misfortune of carrying the administration's water for them on the floor of the Senate was on the great legislative veto question; I thought that I did it at the request of the White House. There I was on the floor of the Senate, and it turned out that instead of a clear message being flashed, it was quite the contrary. I think I got 23 votes on tabling the motion.

You know, I have noticed that there are degrees of support that can come from the administration. On a scale between 0 and 10, where do they stand on this?

Mr. DEMUTH. I believe that we're a 10 on this one, sir.

Senator DANFORTH. You're a 10. Is Treasury on board on that?

Mr. DEMUTH. Yes, sir.

Senator DANFORTH. They are?

Mr. DEMUTH. Yes.

Senator DANFORTH. It is going to be tough in the Finance Committee because Senator Dole is, as I say, one of the cosponsors.

Mr. DEMUTH. We will be communicating our views on the section in question, section 202, directly to the Finance Committee.

Senator DANFORTH. Clearly?

Mr. DEMUTH. Yes, sir.

Senator DANFORTH. Loudly?

Mr. DEMUTH. Yes.

Senator DANFORTH. Consistently?

Mr. DEMUTH. Yes.

Senator DANFORTH. As I understand it, there is a problem with respect to paperwork requirements imposed by government contractors. Can you explain what that problem is?

Mr. DEMUTH. Well, under the act any information collection performed by a government contract which is part of the performance of that contract is covered by the act. Anything—any information collection sponsored by the Federal Government even through an intermediary such as a State in the case of Medicaid or someone who has a grant or contract from the Government is covered, and all of the act's provisions apply in force. The ambiguity arises when an organization has a grant from the Government, but it is engaged in many other activities as well. It conducts a survey for some purpose, and there's some question as to whether that is under sponsorship of the Federal Government or not. So, I think there is an inevitable ambiguity there. The answer may not always be clear, but the question is clear, and that is: Is the contractor's information collection sponsored by the Federal Government? Is he doing it as a part of the work that he's doing for the Federal Government? If so, the Paperwork Act applies in full force.

Senator DANFORTH. Should we be doing something on that? We, being the Congress.

Mr. DEMUTH. I don't think that the act could really—it's an empirical question in the individual case and I don't see how. I think the legislation is clear as it could be on that question, and it is a matter of a case-by-case determination. Inevitably, a contractor will not know all of the laws of the Federal Government and will go forth, and we do get complaints. And if you will look in the violation section of the report, you will see that some of the violations we get were inadvertent on the part of the contractor. We get a phone call. We call the agency and we get it straightened out.

Senator DANFORTH. Let me ask you: Do you know what an A-21 form is?

Mr. DEMUTH. Yes, sir, I know a good deal about it.

Senator DANFORTH. It is my understanding that, if a member of a faculty of a university gets a grant from, say, the Defense Department or any other government agency, the professor must keep track in some detail of the amount of time put in on government work versus university work. Is that the nature of it?

Mr. DEMUTH. Yes, sir.

Senator DANFORTH. And I know university administrators are quite concerned about it. They believe that it is not possible; that professors don't know how to deal with it; that it involves a kind of a make-believe world for the university people; and that the professors feel that they not only can't specifically allocate their time between one area and another area, but that in attempting to do it, they are in effect perjuring themselves.

Is that a real problem or not?

Mr. DEMUTH. Well, it doesn't get as much attention as EPA and OSHA, but in fact the regulatory program run under OMB Circular A-21 has been one of the most controversial of regulatory efforts among those who have been subjected to it in the universities. It has been run through guidelines issued by OMB, and I think the general consensus that has been building up over the years is that it is much too complex. It requires individual faculty members to make decisions on things that are essentially undecidable and could be greatly improved.

At the same time, one has to recognize that when the Federal Government is paying for a share of a person's time, there is going to have to be some accountability that the researcher has spent time doing what was promised. In the case of research, unlike ordering a plane or something else for the Government, it is just research, so that often the line of inquiry you are pursuing turns out to be fruitless. So, the fact that somebody didn't come up with a tangible product for the Government is not always dispositive, and one can't say: "Look, we've paid this money; we want to get the results." It has to be, to some extent, on a time basis. Faculty members are engaged in research at some times and at other times in teaching, and there are difficult allocation problems. I believe that the problems in the current circular are substantially, although not entirely, resolved by a proposal that OMB published earlier this year which substantially streamlines the circular and makes it much easier for faculty members and university administrators to comply with.

Our responses from universities all over the country have been, I think, quite positive. Seventy-five percent of university comments have been favorable. I have several letters here from university presidents and chancellors. I have one here from Washington University in St. Louis—from the chancellor of the university. He thanks those in OMB who have been responsive to the concerns of the university research community and says that they think we are achieving accountability for the expenditure of Federal funds without burdensome, inconsistent, or unworkable reporting requirements. So, we think we are making good progress.

Senator DANFORTH. Is this within the purview of your office?

Mr. DEMUTH. Yes, sir.

Senator DANFORTH. There are other comparable types of forms, I am told; is that right? Something called an A-102 and an A-110?

Mr. DEMUTH. A-102 and A-110 are OMB circulars which are a little bit different from A-21. They establish uniform reporting requirements and actually have required forms in them for collection of information from State and local and other grant recipients. So, those two impose, by their own terms, specific reporting requirements on the private sector. They are different from A-21, which is limited to guidelines to the agencies.

But I should say that all OMB circulars go through my office before they go out, whether their primary impact is on agencies or the public.

Senator DANFORTH. So, in other words, OMB reporting requirements go through the same process as do requirements of other departments?

Mr. DEMUTH. Yes, sir. They all come through OIRA. Those which do not impose a reporting requirement directly on the public—for example, A-21—do not have an OMB control number on them. It is not in our base, our data base of information collection requirements under the Paperwork Act, because its policies apply to Federal agencies themselves. It is an internal management device. Then the agencies interpret our circular; for example, HHS will interpret A–21 and have certain auditing guidelines for universities. The kind of research people do for HHS is very different than the kind of research people do for the Defense Department. There are considerable variations between agencies, and the regulations are somewhat different.

Those regulations themselves have to be cleared by us under the Paperwork Act, and the circular we look at simply as a part of OMB guidelines.

OMB Circulars A–102 and A–110, however, because they have specific reporting requirements imposed on the public, must be cleared under the Paperwork Act. They do display an OMB control number, and they are part of our paperwork control data base.

Senator DANFORTH. Are you confident that this particular problem, this A–21 problem, either has been taken care of or is being taken care of? Are we doing what we should be doing on it?

Mr. DEMUTH. I think so. I don't think the program is ever going to be perfect. Somebody who is engaged in teaching and is doing some private research and some government research and is completely caught up in the subjects of his study is never going to want to take out the time to figure out how much time he spent for this project and that project, but as long as that person is working for different contractors, I don't see how it can be avoided.

When I was a lawyer, I had to account for my time. When I was in the university community myself, I had to account for my time, and I think that it wasn't all that different. There have been many letters that we have received from universities that have suggested changes that we can make to improve our proposal even further and we are taking those all very seriously.

When we come out with a final circular on university research, I think there will be general agreement. There is always going to be somebody that says that he should get money from the Federal Government and not have to report at all for his time. And doubtless there will be those, but I think the vast majority of administrators and of researchers are going to be content that a great deal of the current burden has been eliminated.

Senator DANFORTH. Let me ask you about the funds necessary to conduct this work. The Paperwork Reduction Act authorized $9 million for 1983, solely to pay for paperwork responsibilities. My understanding is, however, that the administration's request for next year is $5 million and that that amount is to include not only the Paperwork Reduction Act work but also the President's Task Force on Regulatory Relief; is that so?

Mr. DEMUTH. It is to pay for the administration of the President's Executive order on regulations. We serve as staff for the Task Force on Regulatory Relief, but that is essentially a subgroup of senior White House—senior members of the White House staff and several cabinet officers. The task force members themselves are paid by their agencies like everyone else. And they have occasional meetings to resolve regulatory questions, to go over agendas for regulatory and paperwork relief. The package of measures that I alluded to earlier that the President announced at the same time that he and the Vice President released the 1982 budget—that was something that was gone over by the members of the task force on the small business policy changes.

For example, the Treasury and Labor Department ERISA regulations and reporting requirements—that was done by people in my office, and our proposals did go to the task force.

That may be a long-winded explanation. It is true that we serve as staff for the task force. I believe it is not true that that is any distraction from our pursuit of what we were asked to pursue by the Paperwork Reduction Act.

Senator DANFORTH. Do you think that you are able to do the job that you are charged with doing?

Mr. DEMUTH. I believe so; yes, sir.

Senator DANFORTH. Well, let me say that, one, I appreciate very much your being here, your testimony, the work you're doing. I think that it's very important work. I think that it's important not just from a dollar savings or the inflationary effect of paperwork—all the work that Murray Weidenbaum did before he came to the Government—but I also think it is important because of the public perception of it all. I mean, there is just nothing that brings the Government into disfavor with the American people more than giving people an endless volume of paper to fill out. And because it's now April 14 and it is very much on people's minds, I think this is a good day to have this hearing. So I hope that you will feel free to call on us for any support that you need in discharging your function. I think that it is fair to say that the Congress views this as important. I certainly do, and I'm sure Senator Chiles does, and we encourage you in your efforts.

Again, just to reiterate the statement to Jim Miller: It's a cliche to say that, well, we need to work in the Government with a scalpel, that we have to use a scalpel, not a meat ax. Well, I don't agree with that on paperwork. I don't think we need any scalpel; I think we need to use a meat ax on it. And we should be aggressive. We should be bold in our effort to cut down on paperwork. You know, when you are bold, when you are aggressive, that is exactly when the criticism comes in to take a very conservative approach: "Don't offend anybody. Don't ever cross the head of any agency." That is the conservative approach, but it also is not discharging the job that I think the American people expect of us.

And from your testimony and from what I've heard, you are doing a very good job at reducing the level of paperwork, and you are very hopeful that in the year ahead this can be continued and even improved on.

I would hope that that's the case, and if you need any encouragement, moral support, legislative support, whatever, you know where to reach us. We're here, and we're very receptive to you.

Mr. DEMUTH. Thank you very much, sir. I appreciate that quite a bit. I think we've made a difference in the past year, and I think we'll make a bigger difference in the year to come and we're having a good time at it, too.

Senator DANFORTH. Good. Thank you.

Mr. DEMUTH. Thank you.

[Mr. DeMuth's prepared statement and responses to written questions submitted by Senator Danforth and Senator Chiles follow:]

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

STATEMENT OF CHRISTOPHER DeMUTH ADMINISTRATOR FOR INFORMATION AND REGULATORY AFFAIRS OFFICE OF MANAGEMENT AND BUDGET BEFORE THE SUBCOMMITTEE ON FEDERAL EXPENDITURES, RESEARCH, AND RULES OF THE COMMITTEE ON GOVERNMENTAL AFFAIRS OF THE U.S. SENATE

Mr. Chairman and Members of the Committee:

I appreciate the opportunity to appear before this Subcommittee to discuss our progress during the first year of the Paperwork Reduction Act of 1980. Our first annual report, released this morning, describes in detail our activities to date and our agenda for the year ahead. My statement will summarize our report selectively.

The Paperwork Reduction Act is an ambitious attempt to control the government's use of information. Building on the Federal Reports Act of 1942, the Federal Records Act, the Brooks Act, the Privacy Act, and related laws, it requires that we examine and improve the management of federal information activities toward two ends--

> First, to minimize the burden imposed on individuals, businesses, and other levels of government by federal reporting and recordkeeping requirements; and
>
> Second, to encourage the efficient use of information and information processing technology within the federal government.

The unifying theme of the Act's various provisions is that information is a scarce economic good--which, like all goods, has costs of production as well as benefits of use. The report I am submitting today shows that we have made a good start in making the government's demands for and uses of information more efficient, and that we are laying plans for larger improvements in the future.

Organization and Structure

A year ago my predecessor described what we had done to set up and staff the Office of Information and Regulatory Affairs. Today, operating within the same tight fiscal constraints the President has placed on all agencies, we have a functioning organization and operating procedure to discharge our statutory duties. Some 76 agencies have designated senior officials for information resources management, and many are reorganizing to bring together previously fragmented information activities.

Reports Clearance

The Paperwork Reduction Act expanded OMB's responsibility to review agency information requests in three important ways:

- First, it brought within the scope of review several major agencies previously exempted--especially the Internal Revenue Service, which alone accounts for almost half of the burdens imposed by federal information collection.
- Second, through the "public protection clause," it put new teeth in the clearance process by providing that people may not be penalized for failing to comply with unauthorized information requests.
- Third, the Act imposed tight deadlines and procedural requirements on the clearance process, including a 60 day limit which may be extended only an additional 30 days.

As a consequence of these changes, the number of reports clearance actions has increased almost two and a half times over comparable periods for the two years prior to enactment. From April 1981 through March 1982 we acted on 5,090 requests, compared to 2,169 from April 1980 through March 1981. Notwithstanding this dramatic increase in workload, all but 13 of the more than five thousand requests received were acted upon within the time limits. In fact, reviews have been completed in an average of 36 days. During the first year there were only 17 requests for expedited review under the emergency-review provisions of the Act, and all were granted.

OMB desk officers worked closely with the newly covered agencies and the General Accounting Office, which previously had reports clearance responsibility for some of the so-called independent regulatory agencies.

The Act requires OMB to list all known violations of its provisions. Since the public protection clause, the principal detection and enforcement mechanism in the Act, has been in effect for only three months, the list of violations in this first report is quite limited. We expect the public to play an increasingly important role in stimulating agency compliance.

Information Collection Budget

To supplement the case-by-case reports clearance process and to assist us in meeting the Act's burden reduction goals, we have established a planning and budgeting process we call the Information Collection Budget. Our Fiscal Year 1982 "budget" of 1.3 billion hours is a reduction of 13 percent from the 1.5 billion hours in place when President Reagan took office in January 1981.

By the end of the current fiscal year, paperwork burdens imposed on recipients of grant assistance programs will have been reduced by 24.8 percent--compared to the Act's goal of 10 percent.

This administration is particularly sensitive to public complaints about burdensome and duplicative federal reporting requirements. Accordingly, and on the basis of public comments received by the Presidential Task Force on Regulatory Relief, the administration has on several occasions identified burdensome reporting requirements for top-priority review by the agencies. In February, for example, Vice President Bush, the Chairman of the Task Force, designated for review a series of reporting requirements that create particular difficulties for small business. Among these are requirements involving the Employee Retirement Income Security Act of 1974 (ERISA). The Department of the Treasury has begun a deregulatory effort to make it easier for small businesses to comply with ERISA without reducing the Internal Revenue Service's ability to enforce the tax provisions applicable to qualified plans. Treasury is reviewing its ERISA regulations to determine where administrative relief is possible or where legislative changes ought to be sought. Specific areas to be covered include cost-of-living increases, joint and survivors annuity regulations, and plan amendments. Additionally, Treasury is thoroughly reviewing ERISA reporting and recordkeeping requirements for small plans. As part of the Task Force effort, the Department of Labor is conducting a parallel assessment of all existing DOL ERISA regulations.

Federal Information Locator System (FILS)

The Paperwork Reduction Act requires OMB to establish a Federal Information Locator System (FILS), which is to serve as the authoritative register of all federal surveys and other information collections. FILS is intended to help federal managers locate existing information collections, in order to minimize new collections of information already available within the government.

In the 11 month period covered by the annual report, OMB identified only 19 information collections that would have duplicated information available elsewhere in the federal government. It appears to us that duplicative information collections are only in part the result of lack of knowledge on the part of federal managers. Often, managers know the information they are after has been collected elsewhere in the government, but is unavailable outside the collecting agency because of confidentiality or other legal or administrative restrictions. FILS alone cannot be expected to have a major impact on reducing this sort of duplication in information collection. Rather, it must be part of a larger strategy, which would include extension of confidentiality protections and greater interagency sharing of administrative data and survey "microdata." We are actively pursuing with the agencies such approaches to the duplication problem, as discussed in our report.

OMB announced last Fall that it did not have the resources to establish FILS by April 1, 1982, the statutory deadline. We are, however, making rapid progress within existing fiscal constraints. We recently concluded an agreement with the Department of Defense to serve as the executive agent for FILS and to use the DOD Information Requirement Control Automated System (IRCAS) as the basis for establishing a FILS prototype. We plan to have the prototype in operation by next Fall.

Regulatory Relief

As you know, the Office of Information and Regulatory Affairs also plays a key role in President Reagan's regulatory relief program.

The Administration is firmly committed to reducing excessive regulatory burdens. The President has made regulatory relief one of the four points of his economic recovery program. Burdensome regulation manifests itself in many forms, including excessive paperwork, increasing costs, higher prices, and lower productivity. Over the past several years, the greatest component of growth in federal paperwork has been in regulatory compliance. Approximately 78 percent of the reporting burden to be imposed by federal agencies in Fiscal Year 1982 will be for regulatory or compliance purposes. Regulations and paperwork are identified together in the public mind, and we cannot expect to achieve major reductions in paperwork without also addressing regulatory excess.

Because of the close relationship between regulation and paperwork, we believe in the soundness of our unified approach--where our desk officers work with OMB's budgetary, regulatory, and statistical analysts, and perform their reviews with broad knowledge of the paperwork, data processing, and regulatory aspects of the agencies for which they are responsible. This promotes coordinated decisions to carry out the objectives of both the Paperwork Reduction Act and the President's program of regulatory relief.

Information Resources Management

Information resources management, a central theme of the Paperwork Reduction Act, attempts to integrate the discrete elements of the information life cycle--collecting, processing, storing, and disseminating information. Under the audit and review requirements of the Act, OMB has directed each agency to prepare a plan for intensive review of selected information management activities. A report describing the 66 reviews now underway in 26 agencies was released a few weeks ago. These reviews will:

1. Permit OMB and the agencies to focus on the most important information-management issues currently facing the federal government.

2. Generate a new base of program-specific data for the Executive Branch and Congress to assess the effectiveness of information management changes in particular agencies.

3. Serve as an alternative to issuance of general policy guidance, which is difficult to monitor and enforce.

4. Help us identify structural impediments to the effective management of information and information technology.

Statistical Policy

We have initiated several activities within the past year to implement the statistical policy functions in the Act. This week we are releasing a detailed report on changes in the federal statistical system in Fiscal Year 1982 and Fiscal Year 1983. Although funding for statistical programs was generally reduced in 1982, the 3-year trend through 1983 is that agency budgets for statistical programs are holding steady or increasing for the most part. Large reductions have been limited to enforcement-related collections of energy statistics. Some other economic surveys will have to be reduced in geographic and industry-specific detail to accommodate reduced agency budgets. Social statistics, however, generally show little or no change in funding.

Legislative Impediments and Changes

In your request that I appear before the Subcommittee you requested that I provide an assessment of changes in federal law which are needed (1) to strengthen or clarify the Act, or (2) to eliminate statutory impediments to paperwork reduction.

With respect to statutory impediments to paperwork reduction, our report contains a list of laws that establish reporting or recordkeeping requirements that need to be reexamined. With respect to the Paperwork Reduction Act itself, we are concerned about pressures for special exemptions from the Act. For example, S. 2198, titled the "Taxpayer Compliance Improvement Act of 1982," presently contains a provision to exempt the Internal Revenue Service from OMB review of forms, regulations, and recordkeeping requirements. The administration is opposed to this provision and urges that it be deleted from the bill. The IRS is responsible for nearly half of federal paperwork, and the length and complexity of its forms and recordkeeping requirements are a major source of frustration to individuals and businesses, especially small businesses. We all know that an important part of the problem is the complexity of the tax code itself. But even within existing tax law, major reforms are possible to reduce paperwork burden without jeopardizing revenues.

Last year OMB identified a large number of legislatively required reports to Congress which either duplicated other reports or no longer served their intended purposes. Through the Congressional Reports Elimination Act of 1980, over 100 of these reports were eliminated. OMB recently developed new legislation to eliminate or modify an additional 200 recurring reports. Implementation of the proposals set forth in the bill could result in saving the federal government in excess of $10 million annually, and should contribute to one of the President's major goals, improving the efficiency of the Executive Branch. We appreciate the support of the Chairman and ranking minority member of this Subcommittee, as well as their counterparts in the House of Representatives, and look forward to early action on this legislation.

Strategy and Outlook

In the year ahead we will build upon our first year's activities described in our report. We will work with the agencies to identify and review information collection requirements not previously reported. We will meet the Fiscal Year 1983 goal of a further 10 percent reduction in paperwork burden if the Internal Revenue Service is able to achieve a commensurate reduction. We will put our FILS prototype on line. And we will actively promote more efficient ADP and related information management within the agencies.

We also believe that substantial changes are possible to improve the incentives of federal officials to treat information as a scarce economic resource. Several possible changes currently under review are described in Chapter 4 of our report. Three areas where there appears to be major potential for managing information more efficiently are:

- Government printing and publication, where program managers and the public should confront prices that will better allocate resources for printing, distribution, and use of government documents.

- Storage of federal records, where an appropriately structured pricing system should lead to more efficient decisions involving the transfer, disposal, and storage of government records.

- Telecommunications, information processing, and other common user systems, where a more thorough use of internal pricing systems could oblige federal managers to take greater account of the costs to other agencies and the public of their decisions concerning both acquisition and use.

Mr. Chairman and Members of the Committee, this completes my prepared remarks. I would be happy to address any questions you may have.

RESPONSES OF MR. DEMUTH TO WRITTEN QUESTIONS SUBMITTED BY SENATOR DANFORTH

Question 1. What portion of your resources, in terms of both staff and funds, is allocated to your responsibilities under the Paperwork Reduction Act and how much to your regulatory review activities, for fiscal years 1982 and 1983?

Answer. The Office of Information and Regulatory Affairs (OIRA) combines Executive oversight of information resource management and regulatory development because OIRA Paperwork Reduction Act responsibilities and OMB's role under Executive Order 12291 are highly complementary. The enormous recent growth in Federal paperwork has been predominantly for regulatory or compliance purposes. Those areas comprise about 78 percent of the total Federal reporting burden in fiscal year 1982.

A unifying theme of the Paperwork Reduction Act is that information is a scarce economic good—which like all goods has costs of production as well as benefits of use—for both the government and the public. This scarce economic resource needs careful management. Consequently, our oversight of information resource management and agency regulatory activity reflect the same policy concerns—to reduce burdens on the private sector, and to encourage agencies to seek the least burdensome alternatives, consistent with law, to achieve these objectives.

OIRA has designated most of its staff to serve as "desk officers" for one or more Executive branch agencies. Supported by economists and statisticians, the desk officer oversees the information policy, paperwork, and regulatory activities of the assigned agencies. This provides a consistent, clear line of responsibility for oversight and appropriate coordination of regulatory and informational activities.

As a result, our responsibilities under the Paperwork Reduction Act and E. O. 12291 are completely intertwined, both in terms of staff and use of funds. We plan to retain this mutually supportive oversight structure in fiscal year 1983.

Question 2. In your judgment, what would be required, in terms of both staff and funds, to fully implement the Paperwork Reduction Act as mandated by Congress?

Answer. While almost any Federal program manager could find a way to use more staff, or other resources, it is my view that current OIRA resources levels are adequate to meet the statutory requirements of the Paperwork Reduction Act of 1980. We have no plans to seek increases in staffing or other resources.

Question 3. Has the Office of Management and Budget directed other agencies to inform Congress of the paperwork consequences of legislation it is considering?

Answer. It has been long-standing OMB policy that agencies should consider and provide information to the Congress about Federal and non-Federal paperwork requirements in agency reports on proposed legislation. This instruction was provided to the agencies in OMB Circular No. A–19 (revised, September 20, 1979).

Question 4. Will the New Federalism initiatives contribute to paperwork reduction, and if so, how?

Answer. Certainly to the extent that we turn back programs to the States, a major aspect of New Federalism, we will see the elimination of a variety of paperwork requirements. Under the 1982 block grants, we estimate that there has been a reduction in burden in fiscal year 1982 of 5.4 million hours. Further reductions will result from block grant programs in fiscal year 1983. It is also possible that in instances where the Federal government proposes to take over certain State programs (e.g., Medicaid), increases in Federal paperwork will result. On the whole, however, we expect New Federalism to result in significant paperwork reductions.

Question 5. Your office was to obtain assistance from the General Services Administration in reviewing agency information programs, but GSA's budget has been severely cut back in this area. How do you plan to compensate?

Answer. OMB continues to expect to rely heavily on the General Services Administration for support in reviewing agency information programs. GSA staff, in the course of operating its records management and information technology procurement programs, has a wealth of information about how, and how well, agencies are operating. For example, GSA staff was very helpful in reviewing agency proposals for inclusion in our March 1982 report entitled "Improving Government Information Resources Management." GSA also helped review and compile the report entitled "Major data processing and telecommunications plans of Federal executive agencies, 1982 through 1987" based on data included in the President's budget for 1983.

Question 6. Why have you shifted responsibility from your office to the agencies themselves for publishing notices of information collection requests?

Answer. Section 3507(a)(2) requires agencies to prepare notices to be published in the *Federal Register* stating that the agency has submitted a request for approval to OMB. Not only did we assume that Congress intended that agencies publish these notices, we believe it is in the public interest that agencies do so. It has been our experience that a large segment of the public has, for years, been unaware that OMB publishes notices of information collections submitted. These individuals or groups routinely examine agency listings in the *Federal Register*, but rarely turn to OMB listings. Under the new system, we expect greater public attention and hope for greater public involvement.

Question 7. The Paperwork Reduction Act transferred the Federal statistical policy unit from the Department of Commerce back to OMB. This unit, assigned by the Act to the Office of Information and Regulatory Affairs, has broad responsibilities for insuring the continued effectiveness of statistical programs. Describe the level of resources that are available to this unit, and how those resources are being applied to insure the continued production of statistics needed to establish government policy and for other government purposes.

Answer. As you know we recently reorganized OIRA and four statisticians were transferred from the Statistical Policy Branch to desk officer positions. In their new positions, covering Commerce, HHS, Labor, and Treasury, these individuals will bring statistical skills and experience to the front lines of our work with the major statistical agencies for the first time since OIRA was established.

The Regulatory Analysis and Statistical Policy Branches will be consolidated into a new Regulatory and Statistical Analysis Division, reporting directly to one of OIRA's Deputy Administrators. The six statisticians who were transferred to the Regulatory and Statistical Analysis Division will retain their responsibilities for statistical standards, coordination, long-range planning, and crosscutting issues in paperwork management and fiscal budgets for statistical programs. These statisticians will rely on the statistical desk officers for assistance in identifying important crosscutting issues. They will also rely more heavily upon statistical agencies for the technical staff work which supports statistical standards and other policy initiatives. OMB will focus more of its effort on oversight and planning.

Question 8. What efforts have you made to review the entire statistical activities of the Federal Government, other than on an agency-by-agency basis? Are the resources currently available in the agencies adequate to insure that budget cuts don't adversely affect statistical series compiled from multiple agency sources? Are priorities being established for the major statistical series, such as GNP, CPI, and unemployment estimates?

Answer. In March of this year we released "Principal Federal Statistical Programs," a special report on statistics related to the Budget of the U.S. Government. This report which is organized by subject matter, not agency, is a summary of the numerous changes that have been made to statistical programs as a result of fiscal year 1982 and fiscal year 1983 budget decisions. The special analysis highlights system-wide initiatives affecting a broad spectrum of statistical programs, the level of agency funding for principal Federal statistical programs, and developments in specific subject-area programs. While this report did not cover all statistical programs in-depth, it was necessary to examine all statistical programs in order to pinpoint those which were most affected.

As in the past, OIRA plans to continue working with OMB budget divisions to insure that the budgets for multiple agency statistical series will not be adversely affected. We have always been conscious of the importance of the key statistical series. As part of our interagency coordination and long-range planning efforts, we identify priority areas such as you mentioned. We work with the agencies and the budget examiners to insure that those areas are given proper attention.

Question 9. The Act also calls on OIRA to identify opportunities for savings and improved service delivery through the application of advanced information technology. What results have been achieved in this area to date?

Answer. As we have stated elsewhere, we believe that the primary responsibility for identifying innovative and productive applications of information technology rests with the head of each department and agency. Towards that end, over one-half of the 66 information management reviews being conducted by the agencies have been selected because of their potential for identifying new opportunities for applying information technology. It is obviously too early to point to results. However, we are greatly encouraged by the mere fact that these reviews are under way.

RESPONSES OF MR. DEMUTH TO WRITTEN QUESTIONS SUBMITTED BY SENATOR CHILES

Question 1. I understand the Internal Revenue Service challenges the fact that their recordkeeping requirements are subject to the requirements of the Paperwork Act and must display a control number. What can you tell us about this situation?

Answer. The Department of the Treasury has taken the position that OMB clearance of collections of information under the Paperwork Reduction Act of 1980 applies only to forms and like instruments, and not to reporting or recordkeeping requirements contained in regulations except insofar as such requirements may be imposed in the future by way of notice and comment rulemaking. It further takes the position that reporting or recordkeeping requirements contained in regulations need not display an OMB control number, even if they have been cleared during the course of the notice and comment rulemaking under the provisions of Section 3504(h) of the Paperwork Reduction Act.

During 1981, OMB advised Treasury that collections of information by means of regulations are subject to the requirements of the Act, and should be submitted for clearance before the public protection provisions of Section 3512 of the Paperwork Reduction Act took effect. Since then, we have attempted to obtain a speedy resolution of the dispute by consultation with Treasury, and the Department of Justice.

In summary, the basis for the Director's interpretation is that, on its face, the Paperwork Reduction Act applies to all reporting and recordkeeping requirements, and there is no suggestion in the Act or its legislative history that any reporting or recordkeeping requirements are exempt from scrutiny and burden reduction merely because they are imposed by means of regulation rather than form. The Act defines the term "information collection request" to include all "reporting and recordkeeping requirements" 44 U.S.C. 3502(11); this term necessarily comprises requirements contained in agency rules, since most recordkeeping requirements are imposed by means of regulation rather than written form. Moreover, the prevailing thrust of the Act—see 44 U.S.C. 3504(a) (reduction of the paperwork burden); 3504(c)(3) (inventory of existing information collection requests); 3505(1) (goal of reducing existing burden of Federal collections of information)—is toward reduction of *existing* paperwork burdens, not merely of controlling future paperwork impositions. Exempting all information collection requirements contained in existing agency regulations would thus negate one of the major purposes of the Act.

The legislative history strongly supports this interpretation. Under the original version of the Paperwork Reduction Act passed by the House of Representatives, H.R. 6410, OMB's responsibilities with respect to reporting and recordkeeping requirements imposed on the public by regulations were identical in substance and procedure with its responsibilities over other information collection requirements. The House Report on the bill stated, "under the bill. OMB is assigned the responsibility for reviewing reporting and recordkeeping requirements imposed on the public by regulations" (H.R. Rep. No. 96–935, at 9). On the Senate floor, S. 1411 was amended by addition of what is now Section 3504 (h). Senator Kennedy, sponsor of the amendment, explicitly stated his understanding that the House-passed version of the bill "would permit the Director of OMB to overturn a rule which was adopted by an agency" after public notice and comment without public justification or any procedural protection for the agency or for the people affected by the rule (Daily *Congressional Record* S14689 (November 19, 1980)). His expressed intention was to provide such protection. The Kennedy amendment applies by its terms only to information collection requirements newly imposed by means of notice and comment rulemaking (44 U.S.C. 3504(h)(5)(B), 3504(h)(8)). The amendment requires integration of OMB's paperwork control review with the procedures for notice and comment rulemaking under the Administrative Procedure Act, but makes no other change in OMB's Paperwork Reduction Act authority. Section 3504(h), therefore, cannot be read to exempt reporting and recordkeeping requirements contained in current regulations (for which notice and comment rulemaking is not under way) from scrutiny and burden reduction.

Question 2. The public protection section of the Act tells people you may ignore paperwork requirements without an OMB control number without penalty. Does an IRS failure to clear recordkeeping requirements mean the government is going to have a difficult time prosecuting tax cases that depend on recordkeeping information?

Answer. The IRS failure to clear its recordkeeping requirements imposed by means of regulation could have some adverse effect on its ability to prosecute tax cases that depend on recordkeeping information; however, at this time, we cannot estimate the degree of impact. It should be noted that lack of OMB clearance of a collection of information does not absolve any taxpayer of the underlying responsibility to compute and pay taxes fully and accurately.

Question 3. What about IRS audits? If the IRS does not clear a recordkeeping requirement, can they enforce a request for recordkeeping information in an audit?

Answer. IRS authority to conduct audits is affected to the extent that IRS cannot penalize a taxpayer for the failure to maintain records, if the recordkeeping requirements have not been cleared. Under its general investigative and enforcement powers, IRS can continue to obtain any relevant records the taxpayer may have kept, and to use other currently available techniques for verification of tax returns. As noted above, OMB cannot predict the degree to which the IRS failure to clear recordkeeping requirements in regulations will affect IRS audit activity.

Question 4. What do you consider your statutory responsibility to be when someone brings a "bootleg" requirement—a requirement which has not been inventoried and assigned a control number—to you or your office's attention?

Answer. We have a responsibility to inform the agency that it must stop using the form in violation of the Act and seek OMB approval if it wishes to continue using the form. We will notify the Congress of the violation in our annual report.

Question 5. Do you interpret the Director's responsibility under Section 3504 (c)(2) and 3504 (c)(3) to be one which requires the Director to take active steps beyond informing agencies of their responsibilities under the Act and informing the affected public of their protection under the Act in the case of information requirements which do not display a control number, have not been inventoried, and have been brought to the Director or the Office of Information and Regulatory Affairs' attention? If so, what do you consider those steps to be? Would you give the Committee a case description of how the Director's statutory responsibility should be met when a bootleg requirement is brought to his attention?

Answer. As indicated in our annual report, "The public protection clause, Section 3512 of Title 44 is the public's principal protection against a violation of the Act's requirements in Section 3507 (a) and (f)." The clause is also the public's principal protection against violations of Section 3504 (c)(3)(A).

When we find information collections, that are in use but have not been approved, we immediately alert the agency and request that they cease and desist, pending our approval. If an agency were to continue to utilize an information request that had not been approved, after we had asked them to end its use pending review and approval, we would inform the public that the form was not approved and that they had no responsibility to comply with the request for information. This information would be conveyed through a *Federal Register* notice.

I cannot conceive of an agency proceeding with an information collection request after it had been informed that doing so would be a violation of the law. On occasion, there may be some question about whether a particular information collection is covered by the requirements of Sections 3504 and 3507. An information gathering activity may appear to be covered by the Act's requirements. However, the collection may be exempted from these under the provisions of Section 3518(c). These are factual issues which are subject to factual determination. Once such a determination is made, I am convinced that agencies will perform in accord with the requirements of the Act.

Question 6. What do you consider your statutory responsibility to be when someone brings to you or your office's attention that the content of a clearance request has been deficient in light of the Act's, or guidance issued in pursuit of the Act's requirements? For example, what would you do to meet your responsibilities under the Act if a class of respondents, the university community, for example, demonstrated that they had not been considered as an impacted respondent in the clearance of a paperwork requirement that did in fact impact them?

Answer. We have and will consider comments about any information collection activity at any time—even after we have approved of the collection. Should information be presented that indicates approval should not have been granted, we will reopen our review. Upon ascertaining the facts, we will determine whether or not to rescind the approval.

In the situation suggested, we would ask the university community to provide us with their comments. If the comments are such that we would not have granted the approval in the first instance had we known of them, we would rescind the approval. If the comments indicate that a particular modification should be made, we would determine whether it was necessary and appropriate to have the modification made immediately or wait until the information collection was under review for renewal of the OMB approval.

Question 7. What action would you take if someone brought to your attention a paperwork requirement that had been assigned a control number but which had not appeared in the *Federal Register* consistent with the intent and requirement of Section 3507(A)(2)?

Answer. Because the requirement for agencies to publish *Federal Register* notices is new, it is possible that the situation you describe could occur. If a member of the public identified problems with information collections that we have approved, but for which no public notice has been published, we reserve the right to modify terms of approval or cancel approval altogether. However, initially, we would not withdraw approval on the basis of non-publication of a notice unless substantive problems are identified.

Question 8. Is there any reporting or recordkeeping requirement flowing from OMB Circular A–21 or an agency implementation of the Circular which has been assigned a control number?

Answer. OMB Circular No. A–21, "Cost principles for educational institutions," is OMB guidance to the agencies which establishes principles for determining costs applicable to grants, contracts and other agreements with educational institutions. The agencies are to interpret the Circular and issue implementing regulations. Those regulations would be cleared through OMB, and to the extent that they established information collection requirements under the Paperwork Reduction Act, they would be assigned control numbers.

It should be noted that agencies typically do not issue rules solely to implement Circular No. A–21. Rather they embody the principles of A–21 in rules issued to implement legislatively mandated programs. Therefore, it is unlikely that any reporting or recordkeeping requirement is directly traceable to be the result of Circular No. A–21.

Question 9. How much money did the Act authorize for fiscal year 1983 and how much money did the Director of OMB request from the Congress in his budget request to meet the purposes of the Act?

Answer. The Paperwork Reduction Act authorizes to be appropriated sums not to exceed $9,000,000 for fiscal year 1983. On March 13, 1982, Director Stockman requested an appropriation of $36,109,000 for OMB in fiscal year 1983. Of this total, he indicated a budget allocation of $5,055,000 for information and regulatory affairs.

Question 10. Is there any expenditure which has been or will be undertaken by anyone or any activity under the Office of Information and Regulatory Affairs which is not related to the purposes of the Paperwork Reduction Act?

Answer. As we indicated in response to an earlier question, our oversight of information resource management and agency regulatory activity reflects basically the same policy concerns—to reduce burdens on the private sector, and to encourage agencies to seek the least burdensome alternatives, consistent with law, to achieve these objectives. In addition, the Paperwork Reduction Act, and the statutory authority delegated to OIRA in accord with that Act, require that we examine and improve Federal information activities to encourage the efficient use of information and information processing technology within the Federal Government. OIRA has not undertaken, and does not intend to undertake, any activity which is not related to these purposes.

Question 11. Would you please provide the Committee an accounting of how resources will be spent by OIRA in fiscal year 1982 and for what purposes? To the extent you have planned your budget for fiscal year 1983 would you please provide the Committee with that information?

Answer. OIRA has been allocated 84 permanent positions. The Director requested the same allocation of permanent positions for fiscal year 1983. The fiscal year 1983 budget request estimates an allocation of $4,491,000 for information and regulatory affairs in fiscal year 1982, and $5,055,000 in fiscal year 1983. The appropriation allocated to OIRA has been and will be spent largely on salaries and related expenses, including small amounts for overtime, publications, travel, and technical support services.

As we indicated earlier, our responsibilities under the Paperwork Reduction Act and E.O. 12291 are completely intertwined, both in terms of staff and use of funds. We plan to retain this mutually supportive oversight structure in fiscal year 1983.

Question 12. Would you please provide the Committee an organization chart of OIRA that describes how OIRA is organized to accomplish its functions?

Answer. A copy of our current organization chart and a press release and background paper describing recent changes are attached.

Question 12A. I understand there has been a change in the way agency requests for clearance are published in the *Federal Register*. The purpose of this requirement is to encourage and obtain the benefit of public comments on paperwork burdens. Could you describe the change and your reasons for it? Do you anticipate the change will encourage more or less public comment?

Answer. Section 3507(a)(2) requires agencies to prepare notices to be published in the *Federal Register* stating that the agency has submitted a request for approval to OMB. Not only did we assume that Congress intended that agencies publish these notices, but we believe it is in the public interest that agencies do so. It has been our experience that a large segment of the public has, for years, been unaware that OMB publishes notices of information collections submitted. These individuals or groups routinely examine agency listings in the *Federal Register*, but rarely turn to OMB listings. Under the new system, we expect greater public attention and hope for greater public involvement.

Question 13. Do you plan any changes to the Information Collection Budget process? If so, do you see the ICB becoming a stronger or weaker tool to measure and manage the impact of Federal activities on the allocation of non-Federal resources?

Answer. The Bulletin to implement the fiscal year 1983 Information Collection Budget (ICB) was signed by the Director on April 30, 1982. We have enclosed a copy of the Bulletin for your information. The process for the fiscal year 1983 ICB will essentially be the same as for the previous two years. However, for this cycle, OMB has streamlined the content of agency submissions so that they are providing only that information necessary for our analysis and to assure that the burden reduction goals of the Act are being achieved. In addition, we have made modifications to the ICB submission that we feel enhance it as an agency tool for planning and management purposes.

Question 14. When do you anticipate issuing a revised A-40? What is causing the holdup?

Answer. We have completed a revision of OMB Circular A-40 and expect to issue it as a final document by the end of September. We have asked the agencies to comment on a draft proposal and will incorporate their comments in the draft we publish in the *Federal Register* for public reactions.

We have not issued a revised A-40 before now because we wanted to gather enough experience under the Act to provide guidance that would not have to be modified quickly. We believe that we have enough experience to do that and are moving rapidly to issue a draft for public comment.

Question 15. The First Annual Report on the Paperwork Act lists 17 occasions where approval under Section 3507(g) of the Act was granted. Would you provide the Committee with the reason in each instance that persuaded you that the request met the criterion of either "public harm" or an "unanticipated event"?

In the case of such request which involved repetitive collections, such as the marketing orders, were the requirements of the Act complied with after 90 days?

Would you consider approving a 3507(g) request if it amounted to a back to back emergency clearance request, one in which an agency asked you to clear a request for the second time without meeting the requirements of the Act and after a ninety day interval?

Answer. Our reasons for granting requests under 44 USC 3507(g) in each of the instances listed in the Annual Report and as follows—

The Agricultural Marketing Orders were approved under Section 3507(g) on the basis of a request from the Deputy Secretary. Previously, the Department had submitted each of the 15 orders for approval under the regular review process. OMB and the Department were discussing the need, purpose, burden, and utility of the information collections when the Deputy Secretary asked for "fast track" approval. OMB determined that a disapproval of the request for Section 3507(g) clearance would compromise the capacity of USDA to accomplish the marketing order goals of ensuring equitable marketing opportunities for handlers, and stabilizing the flow of commodities into commerce. The USDA met with the requirements of the Act following the 90-day clearance. New materials were developed by USDA for each market order request, submitted to OMB for review, and the paperwork requirements were approved under the provision of Section 3507(b).

The information collection associated with the rule providing temporary exemptive relief to allow insurance companies to establish separate accounts to sell tax deferred annuities was approved under the provisions of Section 3507(g). OMB was convinced that failure to do so would have had a significant harmful economic impact on the public. This would have resulted from the application of an Internal Revenue Service ruling under which the affected accounts would have had to apply for exemptive relief on an individual account by account basis.

The OSHA post inspection employer questionnaire was approved under the provisions of Section 3507(g) on the basis that failure to do so would have continued the preexisting situation under which the agency was perceived to be in an adversarial position with employers. Prompt approval of the requirement was deemed important to help remove this perception which was harmful to the proper performance of the agency's mission and therefore to the public.

We generally tend to consider 3507(g) requests for expedited action since we then have sufficient opportunity to evaluate the information collection request more carefully during the 90 days of the original 3507(g) clearance. It must be understood that requests for OMB approval under Section 3507(g) do not necessarily result in approval. Under the law, OMB must act on the request within the time period specified by the agency. That action can be an approval or a disapproval. There can be situations in which an "emergency" exists at some point in time that warrants an approval. At a subsequent point in time, the "emergency" may no longer exist and a request for 3507(g) approval might properly be disapproved.

Question 16. The Annual Report notes, as does the Information Collection Budget, the substantial reduction of paperwork which will occur in the block grants consolidated by the Reconciliation Act. I believe the same "order of magnitude" reductions in paperwork burden can be achieved in the remaining categorical programs if the Paperwork Act is properly implemented and without resorting to statutory consolidation of programs. Do you disagree with this belief?

Answer. We do not disagree. As you suggest, we believe that closer scrutiny of certain categorical programs could result in significant burden reductions. The CETA and Vocational Rehabilitation programs are examples of programs in which significant burden reductions are possible. However, enactment of the FY 1983 block grants is most desirable and could reduce a variety of administrative burdens imposed upon States.

Question 17. When the Department of Education Organization Act was developed and passed, it contained a number of provisions to insure that professional educators, school administrators, State governments and the public would be able to have input in the development of regulations to implement Federal education laws. We are hearing from educators that have been trying to work with the Education Department on the guidelines for the Education Consolidation and Improvement Act complain that they are "talking to the wrong agency . . . we ought to be dealing with the budget office." I do not think the provisions of the Paperwork Reduction Act and the legislation to create the Education Department are contradictory. And it does not seem when those who have to administer education programs at the state or local level are asking for guidance and technical assistance, the procedures for OMB oversight should pose any obstacle in their efforts to work with the Department.

Can you tell us why we seem to be getting these complaints and explain OMB's role in the development of guidelines to implement the new provisions for Chapters I and II of elementary and secondary programs?

Answer. To implement the Education Consolidation and Improvement Act (ECIA), the Executive Office of the President created a Block Grant Implementation Task Force. Representatives on the Task Force include staff from the White

House, OMB, the three agencies administering 1982 block grants (Departments of Education, Health and Human Services, Housing and Urban Development) and the Department of Labor which has programs proposed for blocking in 1983.

In an attempt to allow all interested parties to provide input on how the ECIA should be implemented, eight regional meetings were held across the country. As a result of the meetings, an outline for the implementing regulations was developed. This outline assured that the regulations to implement the block grant programs would be similar in character and content.

A second by-product of the eight regional meetings mentioned above and meetings held by Education on its block grants was a non-regulatory guidance document that provides answers to questions frequently asked by the education community. Drafts of this document, which was prepared by the Department of Education's General Counsel, were recently circulated for comment.

Pursuant to E.O. 12291 and the Paperwork Reduction Act, we will review all regulations and paperwork related to the block grant to assure that they are consistent with those two authorities.

Question 18. I understand the FEDAC system within the Department of Education, which Congress authorized as an internal review mechanism, is being dismantled. Is this true, and if so, why?

Answer. The Department has proposed to eliminate most advisory groups including FEDAC. However, it is our understanding that even if this proposal is adopted, review of individual information collections by the Division of Education Data Control will continue. There have been no meetings of the council since 1980.

Question 19. When the block grants for health services and mental health were developed, Congress took some care to protect certain programs, such as mental health centers and community and migrant health centers from being defunded arbitrarily by the States. Yet we have been hearing that State officials are being told informally that they can ignore these restrictions and even go so far as to treat programs that were not included in the blocks as if they were. What has been the OMB position on this?

Answer. Where the Congress has legislated "protection" for certain programs, e.g., that States shall make grants to community health centers and community mental health centers within the State which previously received grants and are eligible and meet requirements for continuation support, the position of OMB is that the Federal and State governments must administer these block grants in a manner consistent with the legal requirements. At the same time, it has, from the outset, been the policy of OMB that block grants should give States maximum flexibility in designation of financing programs which meet the specific health needs of the population of the State. The Administration thus seeks to give States maximum flexibility in the use of block grant funds consistent with the authorizing legislation. In addition, to further enhance these objectives, the Administration has proposed legislative amendments in 1983 to consolidate additional health-related programs into the maternal and child health and primary care block grants and to increase State flexibility in the use of funds provided under these block grants.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

FOR IMMEDIATE RELEASE
May 13, 1982

OMB 82-13
Public Affairs
395-3080

Christopher C. DeMuth, Administrator of the Office of Information and Regulatory Affairs, announced today a series of organizational changes within OIRA and a new set of OIRA statistical policy priorities under the Paperwork Reduction Act of 1980.

The organizational changes involve the reassignment of seven economists and statisticians to desk officer positions covering the Departments of Treasury, Commerce, Labor, Agriculture, Health and Human Services, and the communications and bank supervisory agencies. In their new management positions, these individuals will have direct responsibility for the assessment of agency regulations, forms, and other information collections under the Paperwork Reduction Act of 1980 and President Reagan's Executive Order 12291. At the same time, OIRA's two analytical units, the Regulatory Analysis and Statistical Policy branches, are being consolidated into a new Regulatory and Statistical Analysis division, reporting directly to one of OIRA's Deputy Administrators. These organizational changes are described in more detail in a statement available upon request.

OIRA's new statistical policy priorities focus on four essential functions: (1) Ensuring the uniformity of statistics across agencies, through common definitions and standards such as the Standard Industrial Classification (SIC) and the Standard Metropolitan Statistical Areas (SMSAs). (2) Maintaining the quality of statistical data, through periodic revision or updating of major surveys such as the Consumer Price Index and Current Population Survey. (3) Improving the efficiency of data collection and analysis, through greater interchange of data among agencies, elimination of duplicative surveys, and introduction of innovative survey techniques. (4) Improving the accessibility of federal statistics to the public, through increased use of user charges to enhance the scope and detail of available statistics, and increased use of modern technologies to make statistics more widely and rapidly available. These priority functions are described in more detail in a separate statement available upon request.

"Our federal government has a highly decentralized statistical system," DeMuth remarked. "We have several large agencies collecting general purpose social and economic statistics, such as the Bureaus of the Census and Labor Statistics, and also many smaller agencies collecting data specific to their own departments' programs. This decentralized system reflects the pluralism of our form of government and serves to keep our official statistical surveys progressive and objective. It requires, however, a degree of central coordination to ensure the comparability and quality of statistical data, to encourage efficiency and eliminate duplication among agency data collections, and to promote the interchange and public accessibility of general statistics. The Paperwork Reduction Act of 1980, as well as other statutes and Executive Orders, charge the Office of Management and Budget with general oversight of major statistical policy and coordination issues. The reorganization and statistical policy priorities we are announcing today will help us to perform this function better."

In the past, DeMuth noted, the statistical policy office was engaged in a wide array of interagency committees and long-range research projects. Some of these were critical to central coordination, while others involved technical or program-specific issues that could best be left to the expert statistical agencies themselves. "Our four statistical policy priorities will serve to focus our efforts on those central tasks that we must and will perform to keep the U.S. statistical system the best in the world," he said.

"The organizational changes we are making within OIRA will further strengthen our statistical coordination efforts," Mr. DeMuth concluded. "For the first time since OIRA was established, statistical experts will be on the front lines of our daily work with the major statistical and data-using agencies, rather than only in a separate analytical office. Other senior statisticians will remain in our new Regulatory and Statistical Analysis division. They will be responsible for functions that do not require day-to-day management contact with the agencies--such as developing uniform statistical standards and reviewing major policy proposals for the Cabinet Council Working Group on Economic Statistics. At the same time, these changes will enhance our coverage of critical regulatory policy issues under the President's Executive Order on Federal Regulation and the Paperwork Reduction Act."

# # #

May 13, 1982

BACKGROUND INFORMATION ON THE ORGANIZATION OF THE OFFICE OF INFORMATION AND REGULATORY AFFAIRS

- During the past year OIRA has had three "management branches" and two "analysis branches." The management branches have been responsible for administering the review and clearance machinery for federal forms, regulations, and information collections under the Paperwork Reduction Act of 1980 and Executive Order 12291. These branches have also been responsible for telecommunications, ADP, and other information-policy responsibilities under the PRAct--with the sole exception of statistical policy. The two analysis branches have been responsible for statistical policy under the PRAct, for economic analysis of major rulemakings under the Executive Order, and for developing legislative and administrative policy initiatives under both the PRAct and the Executive Order.

- OIRA's three management branches are:

  - Regulatory Policy, consisting of a branch chief and 10 desk officers, covering the major regulation-issuing departments and agencies.

  - Reports Management, consisting of a branch chief and 9 desk officers, covering the departments and agencies imposing the largest paperwork burdens, and preparing the annual Information Collection Budget. A sub-unit within this branch is responsible for the Federal Information Locator System.

  - Information Policy, consisting of a branch chief and 7 desk officers, covering the major communications and information-processing departments and agencies. This branch is responsible for supervision of Information Resources Management reviews.

- The two analysis branches are:
  - -- Regulatory Analysis, consisting of a branch chief and 13 analysts and research associates, responsible for reviewing economic assessments of agency regulations and for developing administrative and legislative policy initiatives.
  - -- Statistical Policy, consisting of a branch chief and 10 analysts, responsible for coordination, standard-setting, and related statistical functions under the PRAct.
- OIRA is making the following organizational changes this week:
  - -- Three economic analysts will be transferred from Regulatory Analysis to desk officer positions in our management branches. In their new positions, covering Agriculture, the communications agencies, and Treasury and the bank supervisory agencies, these individuals will add important new strength to our work on regulatory and paperwork-reduction issues of growing importance.
  - -- Four statisticians will be transferred from Statistical Policy to desk officer positions in our management branches. In their new positions, covering Commerce, HHS, Labor, and Treasury, these individuals will bring statistical skills and experience to the front lines of our work with the major statistical agencies for the first time since OIRA was established. They will strengthen our implementation of other policies of the PRAct and Executive Order as well.
  - -- The Regulatory Analysis and Statistical Policy branches will be consolidated into a new Regulatory and Statistical Analysis Division, reporting directly to one of OIRA's Deputy Administrators. This consolidation will promote greater flexibility and accountability in discharging our planning, analytical, and legislative responsibilities.

May 13, 1982

OIRA PRIORITY STATISTICAL POLICY FUNCTIONS

1. Uniformity. Comparability of federal statistics is essential for policy making and program management within the government and for a variety of private uses. OIRA will maintain, and as necessary revise, uniform statistical definitions, standards, and classifications. These include industrial, regional, and occupational standards such as the SIC and SMSAs; statistical base periods and data release dates; and similar standards published in the Statistical Policy Handbook.

2. Quality. Maintaining and improving the utility of federal statistics often require that the actions of several agencies be coordinated. OIRA will oversee the review of statistical policy issues that either require the cooperative effort of several agencies, or affect policy making or program management in several agencies. These include:

    A. Periodic redesign of household surveys to improve major statistical series, such as the Current Population Survey, Consumer Expenditure Survey, and National Crime Survey.

    B. Periodic revisions to the Consumer Price Index, Leading Indicators, and other basic measures.

    C. Improving the measurement of poverty and income distribution.

    D. Improving statistical analysis in regulatory decision making and program management.

3. Efficiency. The benefits of statistical information must be balanced against the costs of data collection in both government outlays and private reporting burdens. OIRA will promote greater efficiency in the collection and use of general statistics among federal agencies by:

    A. Promoting greater exchange of "microdata" among statistical agencies under strict confidentiality protections.

    B. Promoting improvement and greater access to common reporting units, such as the standard statistical establishment list.

C. Promoting increased use of administrative records data for general statistical purposes.

D. Promoting the testing and application of less burdensome techniques of data collection and processing, such as computer assisted telephone interviews and other appropriate uses of modern technology.

E. Eliminating duplicative data collections.

4. Accessibility. Federal statistics are often as valuable to the private sector as to the federal government itself. OIRA will:

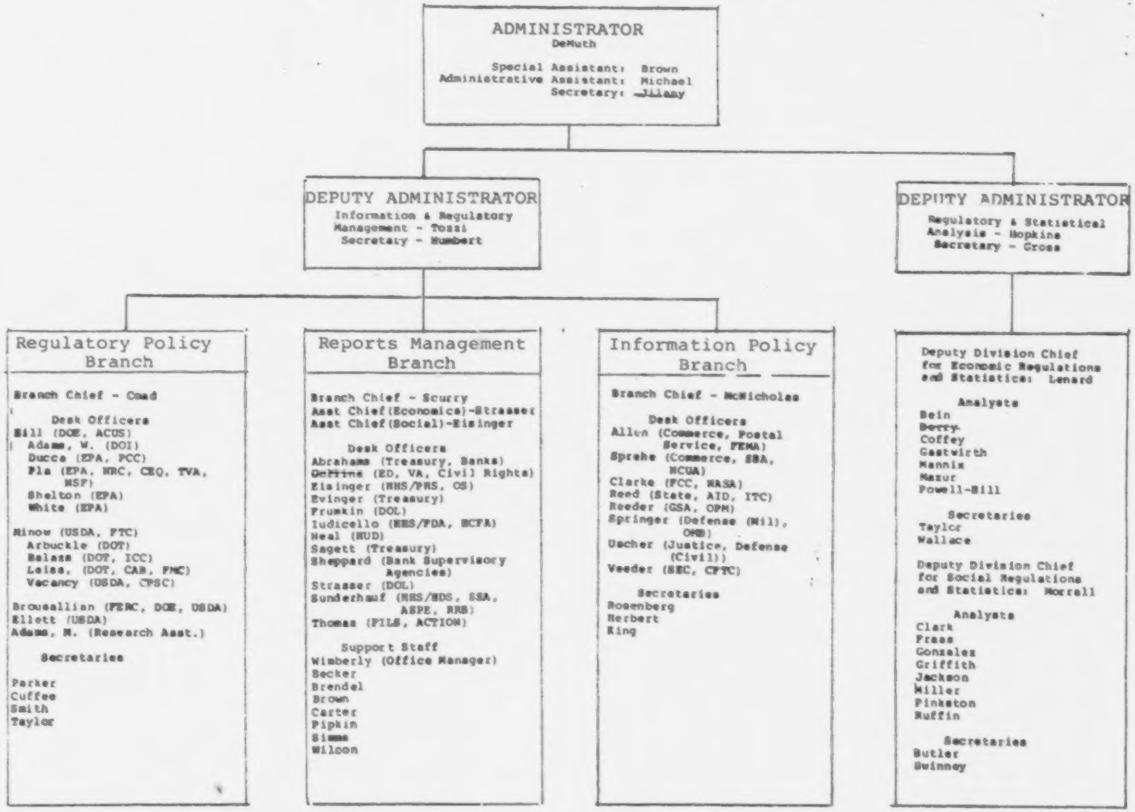
A. Promote increased use of charges for data collection and dissemination where this will enhance the scope and detail of available statistics.

B. Promote increased reliance on computer and telecommunications technologies to make federal statistics more widely and rapidly accessible.

# # #

Effective May 13, 1982

OFFICE OF INFORMATION AND REGULATORY AFFAIRS



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EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

BULLETIN NO. 82-13

April 30, 1982

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

SUBJECT: Fiscal Year 1983 Information Collection Budget Request

1. Purpose. This Bulletin provides instructions and materials for the submission of FY 1983 Information Collection Budgets (ICBs).

2. Background. Section 3504 of Public Law 96-511, "Paperwork Reduction Act of 1980," stipulates that "The Director of the Office of Management and Budget (OMB) shall develop and implement Federal information policies, principles, standards and guidelines and shall provide direction and oversee...the reduction of the paperwork burden..."

Pursuant to P.L. 96-511, OMB has determined that covered agencies shall prepare an annual information collection budget, i.e., an estimate of the total number of hours required of the public to comply with Federal government requests for information (reporting or recordkeeping).

For the purposes of this budget, information collection means the obtaining or soliciting of facts or opinions by an agency through the use of written report forms, application forms, schedules, questionnaires, reporting or recordkeeping requirements, or other similar methods calling for either--

(A) answers to identical questions posed to, or identical reporting or recordkeeping requirements imposed on, ten or more persons, other than agencies, instrumentalities, or employees of the United States; or

(B) answers to questions posed to agencies, instrumentalities, or employees of the United States which are to be used for general statistical purposes.

"Burden" means the total time and financial resources required to respond to an information collection request, including that to read or hear instructions; to develop, modify, construct, or assemble any materials or equipment; to conduct tests, inspections, polls, observations, or the like necessary to obtain the information; to organize the information into the requested format; and to maintain, disclose, or report the information.

3. Objectives. The ICB serves not only as a major tool to implement the burden reduction goals in P.L. 96-511 and the administration's paperwork reduction program, but also as a planning and management tool to assist agencies in efficient information resource management.

4. Coverage. The requirement for an FY 1983 Information Collection Budget applies to the following Executive Branch departments and agencies:

Department of Agriculture
Department of Commerce
Department of Defense
Department of Education
Department of Energy (incl. FERC)
Department of Health and Human Services
Department of Housing and Urban Development
Department of the Interior
Department of Justice
Department of Labor (incl. Pension Benefit Guaranty Corp.)
Department of State
Department of Transportation
Department of the Treasury
Civil Aeronautics Board
Commodity Futures Trading Commission
Consumer Product Safety Commission
Environmental Protection Agency
Equal Employment Opportunity Commission
Federal Communications Commission
Federal Deposit Insurance Corporation
Federal Emergency Management Agency
Federal Home Loan Bank Board
Federal Reserve Board
Federal Trade Commission
General Services Administration
Interstate Commerce Commission
National Aeronautics and Space Administration
National Credit Union Administration
National Science Foundation
Nuclear Regulatory Commission
Office of Personnel Management
Railroad Retirement Board
Securities and Exchange Commission

Small Business Administration
Veterans Administration

5. Goals for Reducing Paperwork Burdens. Section 3505 of P.L. 96-511 requires that OMB establish a goal to reduce the existing information collection burden 15 percent by the end of FY 1982 and an additional 10 percent by the end of FY 1983. OMB has formally adopted and fully intends to meet these goals.

Progress toward these goals will be measured against the reporting burden known to OMB to have been in effect when P.L. 96-511 was passed. This base figure is 1,349.7 million hours, including 1,276.3 million for agencies covered by the 1981 ICB and 73.4 million for other agencies. This base will be utilized through the end of FY 1983. Progress toward the goals will be measured by adding net increases or decreases resulting from program changes to information collections in the base. Adjustments for change in use and corrections, including information collections discovered *ex post* to have been in existence in the base period, will be excluded from measurement of progress toward reaching the goals.

6. Planning Levels for 1983. Agencies listed in Table 3 of the FY 1982 ICB publication that have not achieved a 25 percent reduction in paperwork from the 1980 base, will still be expected to do so by the end of FY 1983. All agencies are expected to reduce the paperwork burden from their FY 1982 adjusted base in FY 1983 and should not request an allowance greater than their FY 1982 adjusted base.

7. Required Materials. This year OMB will provide a listing of all information collections that were in OMB's inventory during the last part of April 1982, plus information collections that have expired or were discontinued after September 30, 1981. Activities that have expired or were discontinued are marked with an asterisk. This listing will serve as the basis for the FY 1983 ICB submission. Total burden hours for FY 1982, therefore, should be the total of information collections included on the listing plus new approvals anticipated prior to September 30, 1982.

Agencies will be required to submit four exhibits:

(1) Exhibit 1 is a narrative that addresses specific questions regarding the agency's planning and management of information resources;

(2) Exhibit 2 consists of the OMB provided listing modified to reflect changes in burden during FY 1982 and 1983 (Exhibit 2A) and information on new data collection activities anticipated in FY 1983 (Exhibit 2B).

(3) Exhibit 3 is a summary of total reporting burden hours for the department or agency, its sub-components and, when requested by the desk officer, major program areas, for FY 1982 and estimated for FY 1983.

(4) Exhibit 4 is a listing of program increases and decreases to the FY 1980 base that have already occurred or will occur in FY 1983. This is to verify that the 25 percent goal will be met by the end of FY 1983.

Attachment A provides instructions for preparing each exhibit.

In addition to the materials described above, the agency desk officer, at any point during this process, may request additional information necessary in analyzing the agency's request. Agencies should consult their desk officers early in the development of their submissions, to obtain agreement on the subcomponents, functional units or program categories to be used in Exhibits 2 and 3, additional supporting materials and data requirements that may be necessary.

The head of each covered department or agency, or the senior official appointed pursuant to 44 U.S.C. 3506(b), should transmit the submission.

8. Periodic Data Collections. Agencies are encouraged to substitute periodic data collections (e.g. biennial or triennial) for more frequent collections whenever feasible. The reporting burden for periodic collections will be reviewed separately from the burden imposed by other agency reporting requirements. To the extent that agencies adopt periodic collections as a burden reduction strategy, OMB will take steps to ensure that the allowance for each activity is carried over to each year in which the data collection will occur.

9 Submission Dates. Please submit an original and two copies of all the required materials addressed to the Director, Office of Management and Budget, and mailed to Room 3201, New Executive Office Building, no later than July 16, 1982.

10. OMB Actions on Submissions. The Office of Management and Budget will hold hearings with agencies on their requests in August. There will be hearings with all covered agencies, unless OMB and an agency mutually agree a hearing is unnecessary. Hearings will be scheduled by OIRA staff and will include participation by other OMB staff. The senior official for the agency or other policy spokesperson for the agency, must be present at the hearing. Agency proposals and staff recommendations will be reviewed by the Director, Office of Management and Budget. Allowances will be given to agencies immediately thereafter. Allowances will generally be made for the agency as a whole, except where more specific guidance is warranted.

11. Inquiries. Inquiries regarding specific department or agency concerns should be directed to appropriate OIRA desk officers. General inquiries should be addressed to the Chief, Reports Management Branch, Office of Information and Regulatory Affairs (202) 395-6880.

David A. Stockman

David A. Stockman
Director

Attachments

Attachment A

OMB Bulletin 82-13

EXHIBIT 1

Prepare a narrative answering the following questions (where appropriate):

1. What is the agency's justification for the level of request?

2. What is the agency's strategy for reducing paperwork burden on the public in FY 1983?

3. What are the agency's specific plans for attaining the goals and planning levels described in paragraphs 5 and 6 of the bulletin?

4. How does the ICB request relate to the agency's FY 1983 enacted (or, if applicable, President's proposed) budget?

5. How does the ICB request relate to the agency's regulatory relief program?

Your answers will serve as the nucleus of the narrative discussion in the FY 1983 ICB publication.

EXHIBIT 2

Exhibit 2A consists of a computer printout of your department's/agency's information collections that were in OMB's inventory during the last part of April plus information collections that have expired or were discontinued after September 30, 1981. Activities that have expired or were discontinued are marked with an asterisk. Make changes or deletions to the items listed as appropriate. At the end of the exhibit, add in items that are missing from the inventory and were active during FY 1982, or items that the agency expects to have in place prior to the close of FY 1982.

In order to complete Exhibit 2A, please use the following guide:

Columns 1-3	Verify that these items are correct as currently found in the OMB inventory.

Column 4

Enter the estimated number of burden hours actually in use during FY 1982. Include all adjustments and program changes. Be sure to include any changes that may occur between the date of the OMB listing and the end of the fiscal year.

Column 5

Enter the appropriate letter code to indicate the reason for any change in burden between columns 3 and 4 according to the following guide:

Adjustments

CE (correction-error) - change in burden from that formerly recorded because of administrative error. Include information collections now in use without OMB approval.

CR (correction-reestimate) - change in burden resulting from a reestimate based on actual agency experience or additional investigation.

CU (change in use) - change in burden resulting from factors outside control of the Department or Agency, such as an increasing number of applications, declining number of firms in an industry, or changes in population.

Program Changes

I (increase) - is a change in burden resulting from an action or directive of any branch of the Federal government such as an increase in sample size, amount of information, or frequency of reporting, or expanded use of an existing form.

D (decrease) - is a change in burden resulting from an expiration or discontinuance of information collection; or change in burden of an existing information collection resulting from action, or directive of any branch of the Federal government, such as use of sampling (or smaller samples), reduction in the amount of information requested (fewer questions), or reduction in frequency of reporting.

If more than one of the types of adjustments or changes occurred during the year, please indicate each type of change and corresponding burden hours in column 5. For example, an agency may both reestimate the number of hours it takes to complete a form and identify a change in use in the number of applicants.

Column 6	Enter the number of burden hours requested for FY 1983.
Column 7	Enter the number of responses (e.g. 100 companies submit forms quarterly = 400 responses) associated with the FY 1983 burden.
Column 8	Enter the letter code that explains the increase, decrease or change in use. Corrections or reestimates may not be included in this column to explain 82A-83 changes. Note - This is a significant departure from previous ICB's in that we are asking agencies to project changes in use for FY 1983. If both a program change and a change in use are expected, please indicate both codes and their corresponding burden hours. Remember in columns 6 and 8, if one type of change is involved, indicate one letter code only. If more than one type of change is involved, indicate all letter codes and corresponding response burden.

Exhibit 2B should include a separate page for each new item proposed to be introduced in FY 1983. In addition to the items in the columnar headings, an abstract should be provided. The abstract should be a statement of the need for and the uses to be made of any information collected.

Periodic data collections (data collections conducted less frequently than annually) should be identified by inserting the letter "P" (for "periodic") and a number indicating the cycle in years in the left margin of Exhibits 2A and 2B (e.g. "P2" = periodic collections conducted biennially).

EXHIBIT 3

Provide total reporting burden for all collections of information for the department or agency and its subcomponents, functional units, or major program categories for FY 1982 and requests for FY 83. The subcomponents, functional units, or program categories will be mutually agreed to by OMB and the agency. These aggregates should be based upon figures presented in Exhibits 2A and 2B. For explanation of changes, use multiple codes as necessary, following instructions for Exhibit 2.

EXHIBIT 4

List in Exhibit 4 the OMB number, title, and all program increases and decreases that have occurred or will occur to items included in the FY 1980 base.

FY 80 base figures for individual items must correspond to those reported as FY 1980 adjusted figures in the FY 1981 ICB submission.

Adjustments (i.e., changes in use, reestimates, etc.) cannot be considered as burden reductions. In calculating program increases or decreases to items for which adjustments have been made since FY 1980, the proportionate program change should be applied to the base figure. For example: In the agency's FY 1981 ICB submission, a data collection activity was allocated 100 burden hours in the FY 1980 adjusted column. In FY 1982, the burden for the activity was changed to 1,000 hours because of a change-in-use. In FY 1983, a burden reduction of 100 hours will occur through elimination of some data items. This 10 percent burden reduction should be applied to the base of 100 hours for a 10 hour reduction. See this and other examples on Exhibit 4.

Exhibit 2A

1983 Information Collection Budget - Supporting Exhibit: Department of Government

Assistant Secretary for Trade and Travel

		Estimated Burden Hours					
OMB Number (1)	Title (2)	FY 1982 (3)	FY 1982 Adjusted (4)	Explanation of Change (82-82A) (5)	FY 1983 Estimate (6)	FY 1983 Responses (7)	Explanation of Change (82A-83) (8)

Exhibit 2B

1983 Information Collection Budget - Supporting Exhibit: New Information Collections

Agency Functional Unit or Program:______________________

Agency Form No. (1)	Title (2)	FY 1983 Responses (3)	FY 1983 Estimated Hours (4)

Exhibit 3

Summary of Total Burden for Department of Government
(in burden hours)

	FY 82 (1)	FY 82 adjusted (2)	Explanation of Change (82-82A) (3)	FY 83 estimate (4)	Explanation of Change (82A-83) (5)
Total Department of Government					
Assistant Secretary for Trade and Travel					
Trade Program					
Travel Program					
Assistant Secretary for Management					

Exhibit 4

FY 1980-83 Burden Changes for Department of Government

OMB #	Title	FY 80 Base	FY 82 Burden Hours	FY 83 Burden Hours	Net Change (80-83) + or (-)
XXX1	Survey of Activities	100	1,000 (CR)	900 (D)	-10
XXX2	" " Projects	1,000	100 (CR)	90 (D)	-100
XXX3	" " Finances	1,000	1,000	900 (D)	-100
XXX4	" " Problems	100	100	0 (D)	-100
XXX5	" " Needs	1,200	400 (D)	400	-800
Total		3,400	2,600	2,290	-1,110

Total 80-83 Burden Change for Dept. of Government is -1,110/3.400 = 32 percent

Senator Danforth. Our next witness is William J. Anderson, Director, General Government Division, GAO.

Mr. Anderson, thank you for being with us.

Please proceed.

TESTIMONY OF WILLIAM J. ANDERSON, DIRECTOR, GENERAL GOVERNMENT DIVISION, GENERAL ACCOUNTING OFFICE, ACCOMPANIED BY JOHN LOVELADY, GROUP DIRECTOR, INFORMATION MANAGEMENT, GENERAL GOVERNMENT DIVISION, GAO, AND NORMAN F. HEYL, AUDIT MANAGER, INFORMATION MANAGEMENT, GENERAL GOVERNMENT DIVISION, GAO

Mr. Anderson. Good afternoon, Mr. Chairman. I would like to begin by introducing the gentlemen at the table with me here. To my left is John Lovelady, Group Director in the General Government Division. John was in charge of the people that we had working with both the Senate and House committees in the early formulation of the Paperwork Reduction Act, S. 1411 on the Senate side and H.R. 6410 on the House side.

Norm Heyl on my right is an audit manager in charge of the work we have been doing at the Office of Information and Regulatory Affairs. Norm, interestingly enough, was our reports clearance officer when GAO had responsibility for clearing the information requests of the independent regulatory agencies.

With your permission, sir, I would like to have my full statement entered in the record, and I have some summary comments I would like to make.

My testimony today will focus on two aspects of the implementation of the Paperwork Reduction Act. First, OIRA's progress in fulfilling the various tasks and responsibilities assigned to it by the legislation and, second, our concern about certain legislation that has or would have the effect of exempting agencies or activities from Paperwork Reduction Act coverage.

While we are critical of OIRA's progress overall, we recognize that they are getting a lot done with the resources they have available.

We have previously expressed the opinion that OIRA does not have the resources it needs to move out strongly and effectively on implementing the Paperwork Reduction Act as the Congress had hoped when it established that organization as the focal point and leader of executive branch implementation under the act.

We have gauged OIRA's progress in several ways. One of these involved identifying the act's 39 key requirements as a basis for monitoring progress, as shown in the attachment to our detailed statement. We consider that 25 of the 39 are not being achieved to the extent possible.

Further, only one of the requirements due to be completed by April 1, 2 weeks ago, has in fact been accomplished.

There is only one area in the Paperwork Reduction Act where OIRA has been essentially on target—paperwork burden reduction.

The office has successfully folded in those additional agencies added to its clearance responsibility, including the IRS and those formerly under the GAO, and has been taking a tough, hard look at the information requests submitted to it for review. This is reflected by its disapproval of 480 of the 4,767 requests submitted to it from April 1981 to February 1982. The office is successfully using the information collection budget approach as a mechanism for compelling agencies to reduce their burdens on the public.

OIRA reports that it expects to exceed the statutory first year goal of 15 percent, as Mr. DeMuth noted earlier.

Having said those nice things about OIRA, I refer you to our detailed statement for some criticism we have of its performance. We have some additional concerns.

Let me turn my attention now to some specific ones that you have expressed, Mr. Chairman.

First, you asked us to address the issue of whether paperwork requirements contained in Government contracts were covered by the act. I thought that Mr. DeMuth did an excellent job of expressing OMB's position. We also believe that such requirements are generally covered. In fact, OMB Circular A–40, outdated though it may be, provides for such coverage except for requirements for certain kinds of technical information when identical information is required to be submitted by 10 or more respondents.

This provision is not, however, always enforced. For example, in a recent audit of education-related paperwork, we found numerous identical information requirements being imposed on more than 10 contractors. These requirements have not been approved by OMB. If this situation is widespread, OMB has much to do in bringing it under control, given the extent of Government contracting.

I would now like to address another area of much concern to you, the exemptions that we find creeping into legislation. One of the main purposes of the act was to eliminate all existing agency exemptions from OMB central review of proposed information collections. By obtaining exemptions from the act, agencies are relieved of the controls necessary to insure that they effectively manage their information resources. In three instances, two already enacted into law and one currently pending before the Congress, exemptions are provided from the Paperwork Reduction Act.

Exemptions are already provided for the Secretaries of Commerce and the Interior under amendments to the Marine Mammal Protection Act of 1972 and to the Secretary of Health and Human Services under amendments to the Public Health Service Act of 1981. Significantly, when the President signed the Marine Mammal Act amendments, he expressed concern about the exemption from the Paperwork Act and other regulatory review processes. The most significant exemption still under congressional consideration is contained in the Taxpayer Compliance Improvement Act of 1982. Section 202 of this bill would have the effect of removing information collections by the Internal Revenue Service and, to some extent, other Treasury Department units from coverage of the Paperwork Act.

I had the privilege of testifying before Senators Dole and Grassley on the Taxpayer Compliance Improvement Act. That day I had my IRS hat on, and I was speaking to the effect of the provisions on improving collection of the Nation's taxes. I did not make a point on the concern we have about section 202. However, we do have an opportunity and are providing detailed bill comments, and in those comments, GAO will express its position that that particular section, in our opinion, should not be included.

We do not believe that any exemptions to the Paperwork Reduction Act are necessary. Although the recently enacted exemptions do not appear to be extensive, we are concerned that they create a precedent. The Paperwork Act contains ample flexibility to deal with any conceivable situation. We believe that further exemptions may undermine the entire framework for improving Federal information resources management.

There are several other key areas of the act that need priority attention by both OMB and the agencies. These include, first, OMB's failure to meet the statutory milestone for developing the Federal Information Locator System—not entirely due to its own fault; second, agencies' problems in implementing requirements of the act which are necessary for further progress. The agencies differ considerably in their enthusiasm and actions on the requirements placed on them by the act. And, third, OMB's failure to involve effectively GSA and the Department of Commerce in implementing the Act. These various items are covered in more detail in the full statement, Mr. Chairman.

In summary, we conclude the progress toward achieving the Paperwork Reduction Act objectives has generally been slow although there has been some significant progress in some areas.

OMB has failed to provide the forceful leadership and guidance needed to create the momentum for timely and effective implementation of the act. Action is needed to insure that, first, OMB gives priority to implementing all provisions of the act; second, that OMB provides clear-cut guidance to the agencies; third, that agencies develop appropriate management structures and plans for implementing the act; and fourth, that OMB effectively coordinate with GSA, Commerce, and the agencies working toward achieving the act's objectives.

That concludes my summary statement, Mr. Chairman. We'll try to answer any questions you might have.

Senator DANFORTH. Thank you very much.

Do you think that there are improvements in the act itself which should be made? Should we do anything differently? Should Congress set out any different provisions to facilitate the work of OMB?

Mr. ANDERSON. I think that the act provides an excellent statement of what needs to be done. I think it provides OMB with the authority that it needs to provide effective leadership and oversight. I'll get back to the original complaint that we have. I think it takes a few more than the 80 people that OMB has assigned to OIRA, especially considering that some significant part of those 80 or so folks are working on things unconnected with the Paperwork Reduction Act.

Senator DANFORTH. Do you have any view as to how many people it would take to do an adequate job?

Mr. ANDERSON. No, sir. I think that I'd like to see Mr. DeMuth tasked with this responsibility. For instance, what would it really take to get this job done effectively and provide the type of assistance and oversight to the agencies to help them move along?

Senator DANFORTH. With the increased emphasis on trying to root out fraud, waste, and abuse in governmental programs, do you think that that effort necessitates a pullback from the paperwork reduction area?

Mr. ANDERSON. No.

Senator DANFORTH. Maybe we need more paper, not less, to police all the fraud?

Mr. **Anderson.** Yes, sir. I think what that might speak to is how realistic the burden reduction goals that are contained in the legislation might be if we expect to continue that pace of reduction.

Senator **Danforth.** In which legislation?

Mr. **Anderson.** In the act itself, sir. In other words, I think that OMB will be able to accomplish the 25 percent reduction. I think that they certainly have done it as far as the 15 percent reduction is concerned. They have every expectation of doing it for the 10 percent goal. On the other hand, their ability to continue to do that at the same pace down the road is certainly affected not only by diminishing returns of examining outstanding paperwork collection requirements, but also by the very thing you spoke of. If the Taxpayer Compliance Improvement Act becomes law, there is going to be an awful lot of new paper that is going to be generated, just considering the part that deals with improved reporting aimed at capital gains.

It came out in the testimony on the Taxpayer Compliance Improvement Act that only about 56 percent of the taxes that are due the Government on capital gains are being collected. It would require that all the brokers and investment houses across the country start reporting transactions. Just think of the flow of paper there—the requirement that for all instruments, there must be some provision made for reporting the interest paid under them. If you are going to deal with fraud and abuse, you are going to require paper. That is the tool for control. And so it does work at cross purposes, but, to me, for good reason.

Senator **Danforth.** But it is my understanding that your criticism of OMB's effort is really related to lack of sufficient resources, the lack of sufficient personnel?

Mr. **Anderson.** Yes, sir

Senator **Danforth.** That's about it; is that correct?

Mr. **Anderson.** That is a correct statement of it, sir.

Senator **Danforth.** You don't think that there is an undermining of the program, or that there is an effort to somehow finesse the program?

Mr. **Anderson.** I think that Mr. DeMuth and the report that OMB has prepared, which I accept at face value, states that, in fact, OMB and OIRA in particular are very much concerned about achieving the objectives of the Paperwork Reduction Act. But I also know, as I pointed out earlier, that for 25 of the 39 major requirements of the act. OMB isn't making too much progress. Also, I think, and Mr. DeMuth pointed out himself, that information resources management within the agencies, the more effective application of information technology, is something where I would expect that the framers of this legislation would have thought we would be further down the road. By now, we should see mechanisms in place and organizational structures in place in the agency to pursue those opportunities.

Senator **Danforth.** Well, what do you suggest we do?

Mr. **Anderson.** What I would like to see is that OMB and Mr. DeMuth perhaps be tasked with preparing some type of study or analysis, if you will, as to how they can go about achieving the 39 requirements of the act in our attachment. There are probably other ways you could slice it. But in any event, if you wanted to do all these things, there are the six requirements that should have been accomplished by April 1, 1982, but weren't. As for the seven additional ones that are due to be accomplished by April 1, 1983, what would it take to get this job done and done properly?

Describe an organization and the resources that it would really take to accomplish all of the legislative objectives. If it were done in good conscience and in all honesty, it would be interesting to see how it would shake out. I would suspect that it would show considerably more than 80 folks.

Senator Danforth. Do you think that the response to that kind of inquiry could be made fairly easily, or would the agency say, "Oh, my gosh, what are these people asking now? We've got to set up a committee and write a long report. We are trying to get on with the job. We've only been in existence for 1 year. The last thing we want is a request for a long, drawn-out study and a report submitted by us to the Congress."

Mr. Anderson. That's a very good point, sir. It could be phrased another way. What would you do with 10, 20, 30 additional people? Could you put them to good use in pursuing your responsibilities under the act?

Senator Danforth. That's true.

Mr. Anderson. And perhaps see how many increments of five they could go up and say, "Right, we could use them and do something with them."

Senator Danforth. Yes.

Mr. Anderson. OMB's original request of fiscal year 1982, as you are aware, Mr. Chairman, provided for something like $2.5 million more than OMB ended up getting for OIRA activities. So, there was a recognition of a need a year ago for some additional resources in that shop. But again, the $5 million that we're talking about this year, as you pointed out, falls short of what their initial request was for fiscal year 1982.

Senator Danforth. Would you like to comment on the Congressional Reports Elimination Act?

Mr. Anderson. Well, just that we support it entirely. GAO, as I'm sure you know, produces an annual report for the use of the Congress, as well as executive agencies. It is an inventory of all the recurring reports—the reporting requirements that the Congress has imposed on the agencies. And I remember when GAO was first tasked—in the 1974 legislation, wasn't it, John?

Mr. Lovelady. Yes.

Mr. Anderson. I cannot remember the title of the bill.

Mr. Lovelady. Congressional Budget Act of 1974.

Mr. Anderson. Congressional Budget Act of 1974. One of the provisions tasked GAO, among other things, with developing an inventory of all the Congress's reporting requirements, and GAO has been continually updating that. GAO has been trying to note those that really don't seem to serve any useful purpose.

Another GAO organization subunit has issued a report on that subject in the last 18 months. I would be glad to submit a copy for the record.

[A synopsis of the report follows. A copy of the report in its entirety may be found in the subcommittee files.]

BY THE COMPTROLLER GENERAL

Report To The Congress

OF THE UNITED STATES

A Systematic Management Approach Is Needed For Congressional Reporting Requirements

The Congress levies reporting requirements on Federal agencies and others to obtain information on Government programs and activities. In fiscal year 1980, 2,680 reporting requirements produced approximately 4,000 reports at a reported cost exceeding $80 million.

These reporting requirements are not being managed in a way that achieves the objectives for which they were created. They are managed by several organizations acting independently of each other with little or no coordination among them. As a result, perfomance of tasks overlaps and functional and informational gaps exist.

GAO recommends that a systematic management approach be developed to insure that reports are timely, that they are distributed to those who can make the most productive use of them in fulfilling their responsibilities, and that both the reporting requirements and report documents reflect the needs of the Congress in its decisionmaking process.

UNITED STATES GENERAL ACCOUNTING OFFICE

PAD-82-12
NOVEMBER 25, 1981

COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

A SYSTEMATIC MANAGEMENT APPROACH IS NEEDED FOR CONGRESSIONAL REPORTING REQUIREMENTS

DIGEST

The Congress levies reporting requirements on Federal departments, agencies, and others in order to obtain information on Government programs and activities, policy issues, budgets, and legislative proposals. In fiscal year 1980, 2,680 reporting requirements produced approximately 4,000 reports at a reported cost exceeding $80 million. (pp. 4-5)

The congressional reporting requirements are not being managed in a way that achieves the objectives for which they were created. They are managed by several organizations acting independently of each other with little or no coordination among them. As a result, performance of tasks overlaps and functional and informational gaps exist. (pp. 9-11)

Additionally, there is at present no comprehensive monitoring system for the reporting requirements. As a result, there is no way of insuring that the agencies meet the requirements adequately, submit reports when they are due, or disclose that reports are late. The most serious flaws are that the receipt of reports by the Congress is not adequately recorded, delinquent reporting is not followed up, and the distribution and use of report documents are not monitored or evaluated. (pp. 11-15)

Title VIII of the Congressional Budget Act of 1974 directs the Comptroller General to:

> assist committees in developing their information needs, including such needs expressed in legislative requirements, and . . . monitor the various recurring reporting requirements of the Congress and committees and make recommendations to the Congress and committees for changes and improvements in their reporting requirements to meet congressional information needs ascertained by the Comptroller General, to enhance their usefulness to the congressional users and to eliminate duplicative or unneeded reporting. (31 U.S.C. 1152(d))

PAD-82-12
NOVEMBER 25, 1981

In partial and on-going fulfillment of this mandate, GAO has studied the functioning of Federal reporting requirements, focusing on the management of statutorily mandated reports and the information associated with them.

GAO finds that to transform the currently inadequate information management practices into a more systematic approach that meets congressional information needs, the Congress, the congressional support agencies, and the Executive Office should consider the following actions (pp. 17-18):

--develop uniform policy and guidance for the congressional groups with principal functional responsibility for meeting the reporting requirements,

--streamline the identification and inventory tasks,

--create an adequate monitoring system,

--reduce late executive agency responses to reporting requirements, and

--improve the ability of the Congress to relate each report it receives to the policy and program issues that the reporting requirements are designed to address.

GAO recommends a more systematic approach that sets these actions as objectives. They can be met by addressing specific tasks that would help insure that reports are timely, that they are distributed to those who can make the most productive use of them in fulfilling their governmental responsibilities, and that both the reporting requirements and the report documents reflect the needs of the Congress in its decisionmaking process. (pp. 18-19)

The system approach GAO recommends developing would provide comprehensive Government-wide identification and notification of reporting requirements, a means of monitoring reports and report delinquencies, dissemination of reports and associated information, and a mechanism for evaluating and improving the usefulness of report documents and the requirements in the congressional decisionmaking process. (pp. 19-25)

The Clerk of the House of Representatives, the Secretary of the Senate, and the Office of Management and Budget have reviewed GAO's recommendations, and the issues raised have been resolved. They agree that a systematic management approach is needed to improve the management and use of statutorily required reports. (pp. 25, 27-30)

Mr. ANDERSON. But, in addition, that report noted some that could be eliminated. We have worked with OMB in the past. We were not a party to the framing of this legislation, but totally support it and think that there are further opportunities.

Senator DANFORTH. Thank you very much, sir.

Mr. ANDERSON. Thank you. It has been our pleasure.

[Mr. Anderson's prepared statement follows:]

United States General Accounting Office

STATEMENT OF
WILLIAM J. ANDERSON
DIRECTOR, GENERAL GOVERNMENT DIVISION
BEFORE THE
SUBCOMMITTEE ON FEDERAL EXPENDITURES
RESEARCH AND RULES
OF THE
SENATE COMMITTEE ON GOVERNMENTAL AFFAIRS
ON
IMPLEMENTATION OF THE
PAPERWORK REDUCTION ACT
PUBLIC LAW 96-511

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss our evaluation of progress and problems in implementing the Paperwork Reduction Act of 1980. My statement will focus primarily on implementation efforts made by the Office of Information and Regulatory Affairs (OIRA), established by the act within the Office of Management and Budget (OMB). I will also discuss the potential effects of pending and recently passed legislation on achieving the act's objectives.

One year ago, the Paperwork Reduction Act, which you and many other Members of Congress worked so long and hard to bring about, became effective. We at GAO, as well as many authorities and practitioners in the rapidly growing field of information resources management, hailed the act as landmark legislation, having great promise for reducing Federal paperwork burdens on the public and achieving savings and increased productivity by better management of all Federal information resources.

Mr. Chairman, I would like to be able to report to you today that great strides have been made toward achieving the act's objectives. Unfortunately, that is not the case. While some progress has been made, several key tasks needed to get implementation of the act underway in the departments and agencies where the benefits can be achieved, have shown painfully slow progress. Little progress has been made in developing the Federal Information Locator System (FILS), an important management tool required by the act.

Two exemptions from the act's coverage have already been enacted into law, and a third, which would exempt information collections and recordkeeping requirements of the Internal Revenue Service (IRS)--the largest single source of paperwork burdens in the Federal Government--is currently pending before the Congress. We are concerned that such exemptions could undermine the entire framework for improving Federal information resources management established by the Paperwork Act.

Mr. Chairman, we identified 39 key requirements in the act as the basis for monitoring progress. Some of these requirements have specific statutory milestones to be completed in either 1 or 2 years. Others have no specific milestone and require continuing activity, so we would not expect all of them to be completed. We would, however, expect some progress on all of them after 1 year.

Attached to my statement is a scorecard showing our evaluation of the current status of the 39 requirements. In our view, only six have been completed. Eight others, such as reviewing individual paperwork requirements, are continuing processes. Of the remaining 25 requirements, 19 show slow progress, and 6 show no progress.

A closer look at the 13 requirements having specific statutory milestones shows the following. Of six requirements due to have been completed as of April 1, 1982, in our judgment, only one has been satisfactorily completed. Three more show slow progress. The other two have received no attention. Of seven requirements due to be completed by April 1, 1983, none have been completed, slow progress has been made on six, and one has received no attention.

Mr. Chairman, before I discuss the problems impeding progress in implementing the Paperwork Reduction Act, I would like to briefly address some of the reasons why the act was passed in the first place.

The need for the Paperwork Reduction Act grew out of a recognition by the Congress and the Executive Branch that, to a large extent, the Federal Government runs on information. It collects vast quantities of information from the public. It will impose some 1.3 billion hours of burden during fiscal year 1982--according to OMB's most recent figures. It processes this and other information either manually or, increasingly with computers, and uses the information to make policy decisions, grant benefits, award and monitor contracts, manage and evaluate programs, and carry out all the day-to-day activities of Government. All of this information must be stored, disseminated, protected, and eventually disposed of. These information related activities require the use of resources--money, people, equipment, facilities, and supplies.

The Paperwork Reduction Act goes well beyond issues related to controlling Federal paperwork burdens on the public. It was designed to provide a policymaking framework and an organizational and management structure to improve the management of all the resources employed in collecting, processing, using, disseminating, storing, and disposing of information. The act addresses a wide range of other information management issues, such as establishing and coordinating statistical policy; improving records management practices; and promoting the improved application of ADP, telecommunications, and other information technologies. The act was also designed to encourage the application of various information management disciplines and skills in an integrated manner to improve agency efficiency, effectiveness, and productivity.

With this perspective in mind, I would now like to discuss a few of the key areas covered by the Paperwork Reduction Act and outline our views on the progress made and some of the problems we see impeding implementation of the act.

PROGRESS AND PROBLEMS IN CONTROLLING PAPERWORK BURDENS

More progress has been made in controlling Federal paperwork burdens on the public than in most other areas covered by the act. OMB has brought into the fold those agencies which previously were not covered by its paperwork control process and is projecting burden reductions in excess of the act's 15 percent goal by the end of fiscal 1982. It has continued use of the information collection budget process as one of the principal tools for achieving such reductions.

However, a number of problems persist:

- --OIRA resources continue to be directed to tasks other than those contemplated by the act;
- --basic policy guidance for implementing the paperwork review process has not been made consistent with the act; and
- --criteria have not been developed for delegating authority to agencies to issue information collection requests without individual OMB reviews.

OMB projects that the act's 15 percent goal for reducing Federal paperwork burdens on the public by October 1, 1982, will be met--and in fact exceeded. This is based on a projected reduction of some 200 million burden hours from OMB's adjusted 1980 baseline of 1.5 billion hours. However, we should point out that the total estimated paperwork burden as OMB projects it, will still be 1.3 billion hours as of October 1, 1982.

We also would note that attaining that 1.3 billion hour figure is contingent in many cases on actions yet to be taken. For example, almost 15 million hours of the projected reduction is to come from IRS. As I mentioned earlier, legislation is currently being considered which would exempt information collections by IRS from the Paperwork Act. I will address this issue later in my statement. If the burden reduction claims stand up to scrutiny, OMB will have a good start on reducing paperwork burdens; however, much remains to be done.

A substantial portion of OIRA's limited resources continue to be devoted to regulatory review activities under Executive Order 12291, activities not prescribed by the Paperwork Act. OIRA had conducted about 3,400 such reviews as of March 31, 1982. We do not wish to minimize the importance of regulatory review, but the fact remains that resources provided to OIRA are being used for purposes other than implementing the Paperwork Act. This problem could be eliminated if, as we have suggested, OMB were required to present its budget request with a separate line item for OIRA's resource requirements for implementing the Paperwork Reduction Act. This would also enhance the Congress' ability to maintain accountability for these activities.

With regard to basic policy guidance, OMB Circular A-40 provides such guidance for Federal agencies in controlling the paperwork requirements they impose on the public. This circular was last revised in 1976. Obviously, it does not provide guidance for implementing the broader paperwork control authority required by the Paperwork Act. As a result, it is not of much help to the agencies. We understand that OMB plans to issue a draft revision for agency comment in the near future but does not expect final action for several months.

A key provision of the act allows OMB to delegate authority to agencies which demonstrate sufficient capability to review and issue paperwork requests without OMB reviews of each individual requirement. To date, OMB has taken no action toward developing criteria for agencies to obtain such delegations. Continuation of the heavy workload of individual reviews hampers OMB's ability to direct more attention to its policymaking and oversight responsibilities for Government-wide information management issues--a basic objective of the act.

Mr. Chairman, you also asked that we address the issue of whether paperwork requirements contained in Government contracts were covered by the act. We believe such requirements are covered. In fact OMB's Circular A-40, outdated though it may be, provides for such coverage, except for requirements for certain kinds of technical information, when identical information is required to be submitted by 10 or more persons.

This provision is not, however, always enforced. For example, in a recent audit of education-related paperwork, we found numerous identical information requirements being imposed on more than 10 contractors. These requirements had not been approved by OMB. If this situation is widespread, OMB has much to do in bringing it under control, given the extent of Government contracting.

STATUTORY EXEMPTIONS THREATEN TO UNDERMINE THE ACT

Mr. Chairman, I would now like to address what we see as a very serious problem--the granting of exemptions from Paperwork Reduction Act coverage. One of the main purposes of the act was to eliminate all existing agency exemptions from OMB's central review of proposed information collections. By obtaining exemptions from the act, agencies are relieved of the controls necessary to ensure that they effectively manage their information resources. In three instances--two already enacted into law and one currently pending before the Congress--exemptions are provided from the Paperwork Reduction Act.

Exemptions are provided to the Secretaries of Commerce and the Interior under amendments (Public Law 97-58) to the Marine Mammal Protection Act of 1972 and to the Secretary of Health and Human Services under amendments to the Public Health Service Act which were contained in the Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35). Significantly, when the President signed the Marine Mammal Act amendments, he expressed concern about the exemption from the Paperwork Act and other regulatory review processes. The most significant exemption--still under congressional consideration--is contained in the Taxpayer Compliance Improvement Act of 1982 (S.2198 and H.R. 5829). Section 202 of these bills would have the effect of removing information collections by the Internal Revenue Service and, to some extent, other Treasury Department units from coverage of the Paperwork Act.

In the case of IRS, although we support the objective of reducing the nonpayment and underpayment of taxes which the bills are attempting to accomplish, we have strong reservations about section 202. If it is enacted, the Congress, OMB, and the public will lose accountability and oversight for about one-half of the burden of reporting to the Government. Leaving IRS subject to the act would not prevent it from levying new, needed reporting requirements. The act does not interfere with the collection of information clearly needed to carry out agency responsibilities.

Further, IRS can only benefit from adhering to all requirements of the Paperwork Reduction Act. In several prior reports, we have pointed out weaknesses in IRS' use and management of information which have led to higher costs or inefficiencies. In April 1981, we testified on problems experienced by IRS in administering the Crude Oil Windfall Profit Tax Act of 1980, including delays in designing its computerized information system to support the agency's information needs. The Paperwork Act was designed to help agencies solve these kinds of information management problems by requiring the establishment of appropriate organizational and management structures. Successful implementation of the Paperwork Act--not exemption from it--would seem to be what is needed for IRS to improve its administration of the tax laws through more efficient collection, processing, and use of information.

Mr. Chairman, we do not believe that any exemptions to the Paperwork Reduction Act are necessary. Although the recently enacted exemptions do not appear to be extensive, we are concerned that they create a precedent. The Paperwork Act contains ample flexibility to deal with any conceivable situation, and we believe that further exemptions may undermine the entire framework for improving Federal information resources management.

OTHER AREAS NEEDING PRIORITY ATTENTION

Mr. Chairman, several other key areas of the act need priority attention by both OMB and the agencies. I will briefly discuss three particularly important items:

--OMB's failure to meet the statutory milestone for developing the Federal Information Locator System (FILS).

--Agencies' problems in implementing requirements of the act necessary for further progress.

--OMB's failure to fully involve the General Services Administration (GSA) and the Department of Commerce in implementing the act.

Federal Information Locator System Not Developed

The statutory milestone for having an operational FILS was April 1, 1982. As envisioned by the act, this automated system would provide a critically needed management tool for identifying and assisting in eliminating duplicative paperwork requirements. Although several studies and planning efforts have been undertaken, little progress has been made toward developing FILS.

Delay in hiring a project manager and lack of funds are cited by OMB as reasons for the delay.

OMB hired a FILS project manager in December 1981, and work on this project has begun. According to OMB's annual report to be released today, the new target dates for implementing a FILS prototype and a fully operational FILS are October 1982 and October 1983, respectively.

Agencies' Problems in Implementing Basic Requirements of the Act

Secondly, many agencies' implementation of the act's requirements has been painfully slow. Most were late in making designations of their senior information management officials and in developing plans for reviewing their information management activities. Additionally, designated senior officials in most departments have significant duties beyond those required by the act.

Over half of the agencies missed the act's July 1, 1981, deadline for designating their senior information management officials. Over 70 percent of the agencies failed to meet OMB's September 1, 1981, deadline for submitting plans for reviewing their information management activities. One major department--Treasury--did not appoint a permanent senior official until February 1982, and has not yet provided OMB with a review plan.

These delays have affected OMB's progress in implementing its responsibility for reviewing each agency's information management activities once every 3 years. The agencies have identified over 200 information management activities for review. In March 1982, OMB selected 66 of these projects involving 26 agencies for monitoring as part of its triennial review responsibility. Thus, some 15 months after the act was passed and 11 months after it became effective, fulfillment of one of its most basic requirements is finally beginning.

Most departments have designated Assistant Secretaries for Administration, or equivalent positions, as the senior official responsible for all information management activities under the act. Assistant Secretaries for Administration have numerous other duties, including department-wide procurement and personnel responsibilities, some of which could conflict with achieving the Paperwork Act's objectives. We believe the senior official's duties should be limited to those necessary to implement the act--which should be a full-time job for anyone. Consequently, we believe OMB should reassess the desirability of accepting such designations as being consistent with achieving the act's objectives.

OMB's Failure to Fully Involve GSA and Department of Commerce

The last item I want to discuss concerns the fact that GSA and the Department of Commerce are both assigned key roles in assisting OMB in implementing the Paperwork Act. GSA has Government-wide responsibilities for the acquisition and use of automatic data processing (ADP) and telecommunications equipment, and for records management. Commerce is responsible for developing and recommending Federal information processing standards and conducting research in computer technology. It also provides scientific and technical advice to both OMB and GSA in support of ADP policy development. These responsibilities were reemphasized by the act and GSA was given a major new responsibility for assisting OMB in reviewing agencies' information management activities.

OMB, however, has yet to provide leadership or formal guidance to GSA and Commerce. Further, budget cuts are affecting key information-related activities at both agencies which could have serious adverse effects on achieving the act's objectives.

Neither agency has played a significant role in developing plans for implementing the act. Only minimal advice and assistance were sought from GSA and Commerce in developing the guidance OMB provided the agencies. GSA's participation in OMB's reviews of the 66 projects mentioned earlier is limited to one review at the Treasury Department. OMB should work more closely with both GSA and Commerce in implementing the Paperwork Reduction Act. In our opinion, continued absence of full involvement by these agencies will inevitably have an adverse effect on achieving the goals of the act.

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Mr. Chairman, in summary, progress toward achieving the Paperwork Reduction Act's objectives has been slow. OMB has failed to provide the forceful leadership and guidance needed to create the momentum for timely and effective implementation of the act.

Action is needed to ensure that:

- --OMB gives priority to implementing all provisions of the act;
- --OMB provides clear-cut guidance to the agencies;
- --agencies develop appropriate management structures and plans for implementing the act; and
- --OMB effectively coordinates with GSA, the Department of Commerce, and the agencies in working toward achieving the act's objectives.

Mr. Chairman, this concludes my prepared statement. We would be happy to answer any questions you or other Members of the subcommittee may have.

ATTACHMENT

ATTACHMENT

PROGRESS REPORT ON OMB'S TASKS AND RESPONSIBILITIES UNDER THE PAPERWORK REDUCTION ACT OF 1980, P.L. 96-511

MARCH 1982

Description of Task	Status
1. Define OIRA structure.	Completed.
2. Delegate act functions to OIRA.	Completed.
3. Arrange for transfer of personnel by 4/1/81.	Completed. Statistical personnel transfers not completed until August 23, 1981.
4. Establish agency burden reduction goals by 4/1/81 and identify initiatives which would reduce burden associated with Federal grant programs by 4/1/82.	Completed.
5. Issue guidance to agencies on establishing their senior officials.	Completed. Minimal guidance provided. OMB Bulletin 81-21 simply restates P.L. 96-511.
6. Issue guidance to agencies for conducting their information management reviews.	Slow progress. Minimal formal guidance provided. Continuing informal guidance provided to individual agencies on their plans.
7. Review agency information management activities at least once every 3 years and report to Congress.	Slow progress. In March 1982, OMB issued a report identifying 66 activities of 26 agencies for review. No reviews yet completed.
8. Coordinate records management with other related information programs.	Slow progress. OMB developing several ideas in this area.
9. Obtain advice and assistance from GSA in reviewing agencies' information management activities.	Slow progress. GSA provided OMB comments in March 1982, on OMB's report discussed in item 7. GSA will assist OMB in reviewing 1 activity at 1 department. OMB informally requested and received from GSA in February 1982, a draft revision to Circular A-71, dealing with management of ADP activities.

Description of Task	Status
10. Develop and oversee ADP/telecommunications policy.	Slow progress. No new policy developed. OMB and GSA currently revising Circular A-71.
11. Oversee ADP/telecommunications acquisitions.	Continuing process. No new oversight practices implemented. Existing oversight practices, consisting primarily of reviewing agencies' ADP/telecommunications budget proposals continued.
12. Coordinate and make uniform Federal information policies and practices by 4/1/83.	No progress. OMB does not consider this a high priority and has deferred this task.
13. Appropriations for OIRA funding authorization.	Slow progress. OMB displayed a budget item for information and regulatory affairs in the 1983 budget. However, OMB failed to separately identify funding for the Paperwork Act activities of OIRA. This conflicts with Congressional intent.
14. Oversee planning for information research practices.	No progress. OMB does not consider this a high priority.
15. Oversee agencies' information collection requests--approval process.	Continuing process.
16. Complete actions on Commission on Federal Paperwork recommendations by 4/1/83.	Slow progress. First report on multi-agency recommendations was issued in January 1981; a report on implementing departmental recommendations is in the final stages of completion.
17. Delegate clearance authority for approving proposed information collection requests to the agencies.	No progress. No delegations have occurred. OMB has not developed criteria based on agencies' clearance performance to provide a basis for delegation.

	Description of Task	Status
18.	Issue guidance and promulgate rules, regulations or procedures necessary to exercise the paperwork control authority provided by the act.	Slow progress. OMB has issued limited formal guidance. Circular A-40, guidance document for clearing reporting and recordkeeping requirements, is now being revised.
19.	Develop long-range plans for improved performance of Federal statistical activities and programs.	Slow progress. OMB is presently updating the document for planning U.S. Federal statistics for the '80s. A central perspective on statistical policy for agency guidance has not yet been developed. Critical components of Federal statistical system are facing budget cuts.
20.	Develop and coordinate Government-wide statistical policies.	Slow progress. Statistical policy directives rewritten, but not issued.
21.	Develop ADP/Telecommunications 5-Year plan by 4/1/83.	Slow progress. Several planning processes are being discussed and analyzed.
22.	Develop a program to enforce Federal information processing standards by 4/1/83.	Slow progress. Various approaches are under consideration by OMB.
23.	Revitalize standards development program by 4/1/83.	Slow progress. Federal information processing standards program is facing budget cut. Proposed legislation submitted to Congress to transfer standards development program from Commerce to GSA.
24.	Identify productivity initiatives using information processing technology by 4/1/83.	Slow progress. OMB plans to identify productivity initiatives through its reviews of agency information management review plans and its triennial reviews. OMB announced in March 1982, several agency programs it will evaluate.

Description of Task	Status
25. Promote use of information processing technology.	Continuing process. OMB believes some projects having potential for improving information technology applications are included in its March 1982, review plan.
26. Report to Congress on major Paperwork Act activities annually.	Continuing process. First report issued April 1982.
27. Propose changes in legislation to improve information resources management practices and to eliminate impediments to burden reduction.	Continuing process. Some legislative changes have been developed and proposed. Several legislative impediments to burden reduction have been identified.
28. Establish audit standards and requirements for information systems by 4/1/82.	Slow progress. OMB deferred this task. OMB began this project in March 1982, by meeting with GAO staff to obtain information and advice.
29. Assign responsibility for Government-wide and multiagency audits by 4/1/82.	No progress. OMB deferred this task.
30. Settle disputes between GSA and agencies under the Brooks Act (P.L. 89-306).	Continuing process. No disputes have been formally referred to OMB since the Paperwork Act became effective.
31. Develop a Federal Information Locator System and have it operational by 4/1/82.	Slow progress. OMB did not meet the statutory deadline. OMB is evaluating two existing automated systems before proceeding with the development of a FILS prototype. A fully operational FILS is not expected until October 1983--18 months after the statutory deadline.
32. Develop a proposal to augment FILS to include major agency holdings by 4/1/82.	No progress. Waiting for the establishment of a fully operational FILS.

	Description of Task	Status
33.	Identify areas of duplication in information collection and develop a schedule and methods for its elimination by 4/1/82.	Slow progress. Efforts to identify duplication are made in connection with routine paperwork requirement reviews. Eighteen cases have been identified. No systematic reviews for duplication have been made.
34.	Develop and implement policy guidance on disclosure of information, confidentiality, and security of information.	Slow progress. One approach under consideration. However, no new policy or guidance issued.
35.	Propose legislation to remove inconsistencies for privacy, confidentiality, and disclosure of information by 4/1/83.	Slow progress. Recommendations for administrative and legislative change are being evaluated.
36.	GAO access to records.	Agreement completed on access for this assignment. GAO was provided access to records except those which contain advice, recommendations and/or opinions to superiors.
37.	Designate central collection agencies where appropriate.	Continuing process. No opportunities identified.
38.	Direct agency sharing of information where appropriate.	Continuing process. No opportunities identified.
39.	Obtain assistance from GSA in developing standards for records retention by the public.	No progress. OMB considers this a low priority.

Senator DANFORTH. Our next speaker will be Eugene J. Hardy, Chairman, Business Advisory Council on Federal Reports, a man with whom I am well familiar. I'm glad to see you here, Mr. Hardy, accompanied by Mr. Marsh.

TESTIMONY OF EUGENE J. HARDY, CHAIRMAN, BUSINESS ADVISORY COUNCIL ON FEDERAL REPORTS, WASHINGTON, D.C.; ACCOMPANIED BY DAVID M. MARSH, EXECUTIVE DIRECTOR, BUSINESS ADVISORY COUNCIL ON FEDERAL REPORTS

Mr. HARDY. Thank you, Mr. Chairman.

I am Eugene J. Hardy, Chairman of the Business Advisory Council on Federal Reports, and with me is David Marsh, who is Executive Director of the Council.

At the beginning of the fourth decade of the Council's existence, we know you have given us a vastly improved tool to further the mission of easing the Federal paperwork burden, the Paperwork Reduction Act of 1980, provided it is implemented in a timely and effective manner.

And in our view, vigorous congressional oversight is most necessary to assure this result, particularly in view of the less-than-enthusiastic response that was accorded by most of the Federal establishment with the exception of the GAO and the OMB.

We commend the subcommittee for recognizing the importance of this follow-up task, not only by holding public hearings, but by the day-to-day oversight, as we term it, exercised by your capable and cooperative subcommittee staff.

A year ago, rapid implementation of the 1980 act clearly did not seem to have the full priority status as did other regulatory reform objectives. The pace has quickened in recent months, and there have been a number of developments which enable us to report to you in a more positive manner than would have been possible just 6 months ago, but an enormous job still lies ahead.

Some of these developments include the OMB intention to issue a revised Circular A-40 by this September. This document, not revised in a half dozen years, has been the primary directive to the departments and agencies covering their recordkeeping and reporting duties and responsibilities. It is now badly out of date and, of course, does not cover the provisions of the 1980 act.

We are also pleased that there is now in place in OMB an official charged with the responsibility of establishing the Federal Information Locator System (FILS), but this important management tool provided by the act is at least 18 months behind the statutory schedule.

We have in the Council established a FILS committee, which, of course, is furnishing advice and working with the OMB.

We also find that consultation with BACFR—its members—and those in the private sector generally, in accordance with the act, has been enhanced at both the agency and OMB levels. Without informed views from organizations such as BACFR, agency personnel and OMB reviewing officials are simply unable to determine reporting impact and whether proposed reporting and recordkeeping requirements are indeed necessary, useful, reasonable, and understandable.

Examples of positive results in several areas benefiting from consultation with BACFR were set forth in the Information Collection

Budget (ICB) for the fiscal year 1982, and these are included in our full statement, which we ask to be made a part of the record.

And, finally, the General Accounting Office (GAO), most importantly, has under way a number of important management studies in several timely and topical areas. These include widely used tax forms and how automatic data processing or similar means might increase efficiency in Federal reporting. We view such GAO activities as essential and trust they will continue.

We have some suggestions and recommendations, Mr. Chairman, which we feel might aid in present and future implementation of the Paperwork Reduction Act.

The first of these is the high priority we accord revision of OMB Circular A-40 or its equivalent.

Revision should provide answers to questions raised by provisions of the 1980 act significant to agencies and the public, and again we highlight a number of these in our statement.

Second, we also think we need improved agency response to the 1980 act. As required by the act, the agencies have designated senior officials who report directly to the head of the agency and are responsible for information resource management and personnel. Progress has been made, but much still needs to be accomplished by the agencies in the areas of adequate staffing, effective organization, and perhaps most important, a setting of priority status for the paperwork function.

It may be that too many of these senior officials have other responsibilities which might preclude full attention to the important objectives of the act.

Third, we recommend that those commenting on information collection requests should receive a summary from OMB of actions taken. Establishment of such a procedure by OMB would inform those who furnish comments of the results of their efforts. Clearly, such action would encourage submission of views in the future.

We, in the Council, would be pleased to help in the distribution of summaries of OMB action to those providing comments.

Fourth, the administration should initiate action on laws that spawn onerous reporting requirements. The act requires OMB to initiate and review proposals for changes in legislation. During your hearings of March 1981, a number of burdensome reporting requirements which resulted from specific statutory mandates were emphasized.

Fifth, the OMB fiscal year 1982 ICB report identified additional legislative changes. In the Council, we have requested a cross section of our members to pinpoint cost-saving legislative changes.

I commend the chairman for introducing S. 2258, the bill that's been referred to which would eliminate many congressional reports.

I would point out that many of these reports to the Congress are based on information received from the private sector; therefore, the relief of the burden will not only be in government, but in the private sector, too.

We also believe that the agencies and OMB should continuously take remedial action on onerous reports. Again, a number of particularly costly reporting and recordkeeping requirements were identified in your March 1981 hearings.

You and Senator Chiles compiled a list of those that were named at that hearing and submitted them to the administrator of the OMB

Office of Information and Regulatory Affairs. We believe it essential that action be taken on all reports identified on that list.

And I would like to add a word on something that's already been referred to, Mr. Chairman. Sufficient staffing and support should be provided to the OMB Office of Information and Regulatory Affairs. We believe that the reports control function in OMB has always and consistently been undermanned. The situation has improved slightly. Several additional OMB staff have been assigned to review and take action with respect to the reporting proposals of certain agencies.

For example, without additional staff is it possible for OMB to review selectively, as required by the act, at least once every 3 years the information management activities of each agency?

In a small American town, Mr. Chairman, where I grew up, I remember a phrase that said, "You've got to spend a buck to make a buck." I find myself in a somewhat odd position asking for the expenditure of more government funds, but in this case, we might have to spend just a few bucks to save an awful lot of bucks for the public at large.

And, finally, another project that needs attention is the development of adequate records retention guides with their potential for considerable savings to the public and the Government.

Earlier this year, the Council addressed legislation in the House aimed at this problem.

And a quick look, if I may, to the future. Certain areas demand action, in our view, over the near and long term if the beneficial objectives of the 1980 act are to be accomplished. They include a deluge of reporting and recordkeeping requirements—about 3,000 in 1981 in just five major areas—and many not previously identified must be reviewed and commented upon. Because of the deluge, initial in-depth review was only given the most burdensome information collection requests; that is, to meet the deadline under the act. We estimate it may take 2 or perhaps 3 years to review and, where warranted, comment upon this massive number of outstanding reporting and recordkeeping proposals. We are confident that many such proposals have yet to surface.

There is also need for the development of guidelines for the far-from-easy undertaking related to measurement of reporting and recordkeeping costs. Our goal in the Council is to assist OMB in devising a methodology for estimation of such costs which is not overly complex. We have held initial discussions with OMB on this major project as a follow-up to our work on how better to measure burden.

Also, Senator Chiles has suggested that submissions falling under the 1980 act have yet to be sent to OMB in a number of major areas such as labeling and government contracting, which you have already expressed an interest in. Also mentioned were IRS recordkeeping requirements mandates which predate the 1980 act, audit requirements, and OMB circulars with regulatory effect. These areas should be carefully examined as soon as possible.

With respect to the act itself, we currently believe it provides a sound, workable legislative framework for the achievement of its stated purposes provided implementation moves forward on a fast, effective track.

We, therefore, have no recommendation for amendments to the act at the present time. We will, however, resist attempts to weaken the act. We view the two exemptions enacted last year with some disfavor. Of course, we oppose the exemption of IRS in S. 2198 and H.R. 5829 retroactive to April 1, 1981.

I would like to say just another word or two on that. Small business, you know, Mr. Chairman, tells us that the biggest burden they have is government paperwork, and the biggest part of that is tax and tax-related forms.

Further, I heard IRS Commissioner Egger just yesterday again talk about the "revenue gap." He prefers that term to the "underground economy." And part of this situation is certainly due to distrust of Government, lack of faith in Government. There are some hopeful signs there. How in the world, if that's true, does this Congress hope, I respectfully ask, to restore faith in Government by removing half the paperwork of the entire Government from the provisions of the 1980 act before it's fully operative? Obviously, we do not favor this proposed exemption of IRS.

To put it another way, and in conclusion, we believe that the 1980 act has provided the tools that can permit achievement of its initial paperwork reduction goals, 15 percent by this October 1 and an additional 10 percent a year later, with even more dramatic reduction in the years ahead. The vigilance of this subcommittee and its oversight function will be a major factor in achieving this result.

Mr. Chairman, we appreciate the invitation to share with you the Council's perception of the current status and to give you our future recommendations regarding implementation of the Paperwork Reduction Act.

We will be pleased to try to answer any questions.

Senator DANFORTH. Well, thank you, Mr. Hardy. Your testimony is excellent, and as a matter of fact, you pretty well answered any question I would have asked. Your testimony is that you think it is a good program and that it is worth doing well, and as I understand your position, it's really the same position of Mr. Anderson?

Mr. HARDY. Yes, sir.

Senator DANFORTH. That it is a matter of personnel and just keeping the program going on a rapid base?

Mr. HARDY. It's not an exciting subject, Mr. Chairman, and, therefore, it needs pushing along. We wish it had been implemented more quickly, but then we've been in this business for 40 years and yesterday isn't soon enough to get something done; but we understand the problems and we will continue our work.

Senator DANFORTH. Do you think that the basic problem in the executive branch is lack of resources and lack of personnel?

Mr. HARDY. Yes, sir.

Senator DANFORTH. It is not lack of will?

Mr. HARDY. No, sir. We have found the executive branch, OMB, Mr. DeMuth and his people with whom we work daily, very cooperative. In fact, speaking about the IRS, we are working with them on forms, of course, and we find them most cooperative. So we find it a little strange that the Congress may be considering an exemption. No lack of will whatsoever, Mr. Chairman.

Senator DANFORTH. Have you testified on S. 2198 before today?

Mr. Hardy. Not yet, sir. We are in the process of preparing a statement on that portion of S. 2198.

Senator Danforth. I think that would be most helpful.

Mr. Hardy. It is in process right now, sir.

Senator Danforth. You have no doubt about the desirability of maintaining coverage of the act on the IRS?

Mr. Hardy. None whatsoever, sir. We will resist removing coverage. When I first saw the bill, I thought, well, before reading it carefully, they were just going to exempt the dividend withholding and interest withholding, and even that we wouldn't have liked, but when we found out it was the entire code, we vigorously opposed that, sir.

Senator Danforth. Who are the members of the Council? Don't list them, but just generically, who are they?

Mr. Hardy. They are individual companies and individual associations, business associations from the private sector who give voluntary contributions. We had been a formal advisory committee to the Bureau of the Budget going back to 1942, and then its successors. And if you remember, the previous President decided that no OMB advisory committees should continue. We still work with OMB, but no longer are an official advisory committee. All our contributions are voluntary.

Senator Danforth. In other words, you have a number of business members of the Council?

Mr. Hardy. Yes, sir. Companies and associations.

Senator Danforth. Have you had any feedback from them as to how the program is operating?

Mr. Hardy. Of course, our staff is very limited in size. We rely, sir, on task forces and committees, and these are composed of the members. For instance, they work with us day to day. There was a meeting at OMB this morning of one of these groups on FILS. I would say—and I am an ex officio member of every task force and go to their meetings—that they are generally in agreement that the act is being implemented more rapidly. Perhaps not as rapidly as we would like, but there is cooperation on the part of OMB and the agencies we're working with.

Senator Danforth. And they think that it is worth doing?

Mr. Hardy. Yes, sir.

Senator Danforth. That it is a worthwhile program?

Mr. Hardy. Absolutely.

Senator Danforth. Good and helpful?

Mr. Hardy. There is no——

Senator Danforth. Reducing the cost of Government?

Mr. Hardy. Yes, sir. We have been at it so long, we view this act as kind of something you've given——

Senator Danforth. Anti-inflationary?

Mr. Hardy. Yes, you bet. Let's assume this Congress does enact dividend and interest withholding as part of the Compliance Act; my understanding is that the Commissioner of Internal Revenue will then do away with all the information reporting in that area today. All those 1099's you get, you know; $15 worth of interest from this building association, and so on. What a relief in paperwork. There's enough there without exempting them from the act.

Senator Danforth. Thank you very much, Mr. Hardy.

Mr. Hardy. Thank you, Mr. Chairman.

[Mr. Hardy's prepared statement follows:]

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STATEMENT
OF THE
BUSINESS ADVISORY COUNCIL ON FEDERAL REPORTS
BEFORE THE
SUBCOMMITTEE ON FEDERAL EXPENDITURES, RESEARCH AND RULES
OF THE
COMMITTEE ON GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

APRIL 14, 1982

Mr. Chairman, I am Eugene J. Hardy, Chairman of the Business Advisory Council on Federal Reports (BACFR). With me is David M. Marsh, Executive Director of the Council.

Since its inception in 1942, the Council has focused steadily on fulfilling its initial and still current major objective - "business working with government to minimize and assure meaningful reporting programs - in the public interest." At the beginning of the fourth decade of the Council's existence, we have a new and vastly improved tool to further the mission of easing the federal paperwork burden - The Paperwork Reduction Act of 1980 (Public Law 96-511) - the most important enactment since the original Federal Reports Act of 1942.

Mr. Chairman, the 1980 Act is due to the leadership exercised by you, Senator Chiles, and many others in Congress from both sides of the aisle and both sides of the Capitol, with all-out support from the business community.

In our view, vigorous oversight to assure timely and effective implementation of the 1980 Act is most necessary, particularly in view of the less than enthusiastic reception it was accorded by much of the federal establishment with the notable exception of the Office of Management and Budget and the General Accounting Office. We commend the Subcommittee on Federal Expenditures, Research and Rules for recognizing the importance of this follow-up task, not only by holding public hearings but by the day-to-day oversight exercised by your most capable Subcommittee staff.

Today, we will assess the current situation, make recommendations on how to more fully carry out the purposes and objectives of the Act and look to the future - all from the perspective of just after the first anniversary of the effective date of the Act.

CURRENT SITUATION

A year ago, rapid implementation of the 1980 Act did not seem to have the full priority status as did other regulatory reform objectives. However, there have been many recent developments which enable us to report to you in a more positive manner than would have been possible just six months ago, but an enormous job lies ahead.

Some of the more important of these developments include:

-- The OMB intention to issue a revised Circular A-40 this September. This document had been the primary directive to the departments and agencies covering their recordkeeping and reporting duties and responsibilities. It is now badly out-of-date and, of course, does not cover the provisions of the 1980 Act. We are pleased that there is now an OMB schedule for early publication of a revised circular and for agency and public comment.

The Council expects that it will have the opportunity to comment on this critical document around June 1.

-- There is now in place in OMB an official charged with the responsibility of establishing the Federal Information Locator System (FILS). FILS is necessary to avoid duplication and generally assist in paperwork management. The Council has established a FILS Committee which is furnishing advice to OMB and will continue to provide assistance as this major project gets underway.

-- Consultation with BACFR members in accordance with Section 3517 of the Act, has been enhanced, both at the agency level and at OMB. Without informed views from organizations such as BACFR, agency personnel and OMB reviewing officials (desk officers) are simply unable to determine reporting impact and whether proposed reporting and recordkeeping requirements are indeed necessary, useful, reasonable and understandable.

Consultation is especially critical now. Heretofore unreviewed reporting and recordkeeping proposals have been reaching the Office of Management and Budget (OMB) in record numbers - estimated to be about twenty-five hundred during 1981 for tax forms, environmental forms, SEC forms, transportation forms, and bank regulatory forms alone.

Examples of positive results in several areas benefitting from BACFR consultation were set forth in the OMB publication "Information Collection Budget" (ICB) for Fiscal Year

1982, as follows:

> "Some of the major paperwork reductions that have or will be completed by the close of FY 1982 are:
>
> - Reduction in requirements for the Federal Communications Commission's (FCC) Radio Broadcast Program Logging Rules (-17 million hours). . .
> - Reducing the Internal Revenue Service's (IRS) Employer's Quarterly Tax Return (-12 million hours). . .
> - Reducing the Department of Transportation's (DOT) Driver's Log (-19 million hours). . ."

The ICB is clearly a positive force for effective information management.

The General Accounting Office (GAO) has underway a number of information management studies in several topical areas. These include widely used tax forms and how Automatic Data Processing and similar means might increase efficiency in federal reporting. We view such GAO activities as essential and trust they will continue.

SUGGESTIONS FOR ENHANCED ADMINISTRATION OF THE ACT

The following suggestions and recommendations, will, we are confident, aid in present and future implementation of the Paperwork Reduction Act:

1. We have already emphasized the priority we accord revision of OMB Circular A-40 or its equivalent. There is an urgent need for new rules, guidelines and instructions to federal departments and agencies as well as new instructions on what an agency clearance request must contain, consideration of utility and burden and many other

critical items.

A revised Circular A-40 should provide answers to questions raised by provisions of the 1980 Act significant to agencies and the public such as:

How is "fast track" (rapid clearance) provision, Sec. 3507(g), to be carried out? How are proposed reporting and recordkeeping requirements in proposed rules to be handled, Sec. 3504(h), including OMB and public commentary? How will OMB initiate and review proposals for changes in legislation and regulations - Sec. 3504(b)(2), 3505(3)(F), and 3514(a)(1) - to improve information practices? How will delegation issues be handled? The revision of Standard Form SF-83, "Request for OMB Review" and its proposed instructions are helpful, but only a completely rewritten Circular A-40 will provide uniform guidance under the Act and avoid inconsistent advice and uncertainty which now exist.

2. Improved agency response to P.L. 96-511 is needed. As required by the Act and OMB Bulletin No. 81-21, agencies have designated senior officials who report directly to the head of the agency and are responsible for information resource management and personnel. Progress has been made, but much appears still to be accomplished by the agencies in the areas of adequate staffing and effective organization to meet the requirements of the Act.

3. Those commenting on information collection requests should receive a summary from OMB of actions taken. Establishment of such a procedure by OMB would inform those who furnish

comments, such as BACFR and its members, of the results of their efforts. Benefits would flow to agencies and to OMB, and members of the public would be encouraged to submit views in the future. The summary should include changes and burden adjustments made in response to comments filed. BACFR would be pleased to help in the distribution of summaries of OMB action to those providing comments to OMB.

4. The Administration should initiate action on laws that spawn onerous reporting requirements. Section 3504(b)(2) of the Act requires the Director of OMB to initiate and review proposals for change in legislation to improve information practices. As background, our testimony of March 18, 1981, before your Subcommittee pointed to burdensome reporting requirements which result from specific mandates in the Employee Retirement Income Security Act (ERISA). We stated: "Consultation through BACFR and by others with appropriate agencies has resulted in improvements, but significant relief will depend on amendments to ERISA itself." Suggested amendments were provided. We commend the Chairman for introducing burden-reducing legislation in S.1966 (to amend the Public Utility Regulatory Policies Act of 1978) and S.1967 (to amend the Outer Continental Shelf Lands Act). The OMB Fiscal Year 1982 ICB report identified additional legislative changes to reduce burden. Also, the Council has requested a cross section of its members to pinpoint

cost-saving legislative changes. The results of our survey will, of course, be made available to this Subcommittee, other key Members of Congress, OMB and GAO.

5. Agencies and OMB should continuously take remedial actions on onerous reports. A number of particularly costly reporting and recordkeeping requirements were identified in our March 18 Senate testimony. You and Senator Chiles compiled a list of those named at the hearing and on June 2 submitted them to the then Administrator, Office of Information and Regulatory Affairs, OMB. We believe it essential that necessary action be taken on this list, together with other information collection requests not yet subjected to in-depth review.

6. Sufficient staffing and support should be provided the OMB Office of Information and Regulatory Affairs. In the Council Statement dated November 1, 1979, to this Subcommittee we pointed out that the reports control function in OMB "has consistently been undermanned."

   The situation has improved slightly as to the number of OMB personnel assigned to review and recommend action with respect to major agency reporting proposals. But more personnel should be assigned to review proposals of key agencies and more support personnel are needed. Added staff would certainly be valuable for carrying out the requirements of Section 3513 of the Act - to selectively review, at least once every three years the information management activities of each agency. In addition, adequate staffing in OMB would help in issuing required reports on specific actions taken regarding recommendations of the Commission on Federal Paperwork.

Despite excellent legislation and rules to implement it, true paperwork management and control can only - in our experience - be achieved by in-depth review of individual information collection requests, which cannot be accomplished without allocation of adequate personnel.

7. Another project that needs attention is the development of adequate records retention guides, with their potential for considerable savings to the public and government. Earlier this year, the Council addressed legislation in the House (H.R. 316) aimed at this problem. A copy of our communication was provided the Subcommittee.

A LOOK TO THE FUTURE

We have previously identified certain areas that demand action over the near and long term if the beneficial objectives of the 1980 Act are to be accomplished. They include:

-- The deluge of reporting and recordkeeping requirements, many not previously identified, must be reviewed and commented upon.

The Act required each information collection request to bear an OMB Control Number (or a statement that it is not subject to the Act) by the end of 1981. Accordingly, in 1981, we experienced the previously mentioned deluge of information collection requests developed by the agencies, submitted to OMB, and acted upon by OMB within a relatively short time frame.

Because of this deluge, initial, in-depth review was only given the most burdensome information collection requests. We estimate it may take two or perhaps three years to review and, where warranted, comment upon this massive number of outstanding reporting and recordkeeping proposals. We are confident that many such proposals have yet to surface.

-- There is need for the development of guidelines for the far-from-easy undertaking related to measurement of reporting and recordkeeping costs. Our eventual goal is to help assist OMB in devising a methodology for estimation of such costs which is not overly complex. BACFR has held initial discussions with OMB on this major project. This activity is a follow-up to our work on how better to measure burden.

-- Senator Chiles has suggested that submissions falling under the 1980 Act have yet to be sent OMB in the areas of: labelling, government contracting, IRS recordkeeping mandates which predate the 1980 Act, audit requirements, and OMB Circulars with regulatory effect. These areas should be carefully examined as soon as possible.

With respect to the Act itself, we currently believe it provides a sound, workable legislative framework for the achievement of its stated purposes - which we share. During hearings on the legislation, we made certain suggestions. We believe those of a major nature, such as strengthening opportunity for consultation, were adopted by the Subcommittee and the Congress. We therefore have no recommendations for amendments to the Act at the present time.

We will resist any attempts to weaken the Act, including legislative proposals to exempt any agency or activity from its coverage. Recent examples are H.R. 5829 and S. 2198, entitled the "Taxpayer Compliance Improvement Act of 1982." Retroactive to April 1, 1981, these bills would exempt IRS reporting requirements from the review and comment provisions of P.L. 96-511.

To put it another way, we believe the 1980 Act has provided the tools that will permit achievement of its initial paperwork reduction goals - 15% by October 1, 1982 and an additional 10% a year later - and even more dramatic reduction in the years ahead. The vigilance of this Subcommittee in its oversight function will be a major factor in achieving this result.

Mr. Chairman, Senator Chiles and members of the Subcommittee, we appreciate your invitation to share with you the Council's perception of the current status and future of the Paperwork Reduction Act. We shall be pleased to answer your questions.

Senator **DANFORTH**. That concludes the hearing.

[Whereupon, at 3:30 p.m., the subcommittee was adjourned to reconvene at the call of the Chair.]

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

MANAGING FEDERAL INFORMATION RESOURCES

FIRST ANNUAL REPORT
UNDER THE
PAPERWORK REDUCTION ACT OF 1980

OFFICE OF MANAGEMENT AND BUDGET

APRIL 1, 1982

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

April 1, 1982

Honorable Thomas P. O'Neill
Speaker of the House of
  Representatives
Washington, D.C. 20515

Dear Mr. Speaker:

I am pleased to send you the enclosed report on our activities implementing the Paperwork Reduction Act of 1980 (P.L. 96-511), as required by Section 3514 of the Act. As the report shows, we have made good progress in furthering the Act's important policies of improved information management within the Federal Government and reduced information-collection burdens on the private sector and state and local governments.

Sincerely,

David A Stockman

David A. Stockman
Director

Enclosure

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

April 1, 1982

Honorable George Bush
President of the Senate
Washington, D.C. 20510

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MANAGING FEDERAL INFORMATION RESOURCES

FIRST ANNUAL REPORT

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CHAPTER 1

INTRODUCTION

The Paperwork Reduction Act of 1980 was signed into law December 11, 1980 and became effective April 1, 1981. Section 3514 of the Act requires the Director of the Office of Management and Budget (OMB) to submit an annual report to the Congress describing major activities undertaken by OMB and the departments and agencies to implement the Act. This report summarizes first-year actions and provides an overview of planned initiatives.

THE ACT'S OBJECTIVES AND REQUIREMENTS: The objectives of the Paperwork Reduction Act are to:

- Reduce the information burden imposed on the public by the Federal government.
- Reduce the cost of collecting, managing, and disseminating information by Federal agencies.
- Ensure that Federal agencies collect only as much information as they need and can use effectively.
- Eliminate inconsistencies among Federal information policies by ensuring uniformity wherever possible.
- Improve the efficiency of government programs through the effective use of information technology.
- Establish safeguards to protect the legitimate privacy and confidentiality concerns of individuals and enterprises.

To accomplish these objectives, the Act sets in place several major organizational requirements and enforcement mechanisms. First, it establishes a government-wide organizational structure for managing Federal information resources. At the top of this organizational hierarchy is the Office of Information and Regulatory Affairs (OIRA) in OMB. The Act also requires that each department and agency designate a senior official, reporting directly to the agency head, who will be responsible for overseeing the management of information resources within the agency.

Second, the Act states that OMB and the senior official in each agency are responsible for the total range of information activities. In particular, the Act intended that related information responsibilities, which have traditionally been organizationally diffused, be consolidated. These activities include, but are not limited to, oversight of public reporting and recordkeeping, information technology, protection of personal and confidential information, records management, and information dissemination.

Third, the Act requires that the senior official within each agency conduct periodic reviews of Federal information activities and that OMB selectively review agency information activities at least once every three years. The results of these reviews are to be reported to the agency head and the Congress.

Finally, the Act establishes an enforcement mechanism. Specifically, Section 3512 of the Act provides that "no person shall be subject to any penalty for failing to maintain or provide information...if the information collection request...does not display a current control number...or fails to state that such request is not subject to" the Act.

INFORMATION AS A RESOURCE: The Paperwork Reduction Act was enacted in response to a growing concern about the amount of paperwork imposed on the public by the government and a perception that Federal agencies were not exploiting the potential benefits of information technology. Although there were laws in place to address these issues, it was evident that the growth of government and the evolution of information technology had fundamentally changed the way in which information was collected, used, and disseminated.

As information has become an increasingly valuable tool in running government, consuming a greater portion of public and private resources, pressure is growing to ensure that these resources are efficiently and effectively managed. This has resulted in the emergence of "information resources management."

Information resources management is predicated upon a recognition that the collection, production, management, and use of information has costs and a belief that there are economies to be gained by identifying and managing those costs. Acceptance of this thesis requires both a conceptual and behavioral change in how information is treated. Most importantly, the management approach implicit in IRM, and embodied in the Paperwork Reduction Act, requires that the total information life cycle be managed - from collection to disposition.

The Paperwork Reduction Act provides a first step towards developing mechanisms which can be used to measure and manage the impact of Federal activities on the allocation of non-Federal resources. These are the resources spent by the private sector or public as a direct result of actions, such as regulatory programs, taken by the Federal government.

In the information arena, the Federal government affects the allocation of private sector resources in several ways. For example, in FY 1982 the public will expend more than 1.3 billion hours responding to government information requirements. In the absence of such requirements, these resources could be allocated to more productive ends. The Federal government also influences the allocation of private sector information resources through its intervention in the marketplace. In particular, the Federal government provides many information goods and services which could potentially be provided by the private sector.

Until recently, Federal decision-makers have not considered the impact of Federal information activities upon the allocation of society's resources. However, as those resources become more scarce, and a larger portion are devoted to information activities, there are growing pressures to ensure that public and private information resources are efficiently and effectively allocated. The Paperwork Reduction Act provides some tools for accomplishing this goal.

IMPLEMENTATION ACTIONS: OMB made a conscious decision to adopt an implementation strategy based on the following precepts. First, the primary responsibility for implementation must rest with the head of each agency and the senior official designated by the agency head for that purpose. Second, OMB would be primarily interested in results and not process. Each agency was generally free to choose its own methods as long as it achieved the objectives of the Act. Third, the early emphasis would be on review responsibilities. This would permit the agency senior officials and OMB to assess the current effectiveness with which Federal information resources are being managed and identify high priority problem areas, whether agency unique or government-wide. Finally, OMB would issue government-wide policies and procedures where needed, but only after there was a base of experience under the Act indicating clearly what the policies and procedures should be. However, the primary emphasis would be on the establishment of incentives which would encourage better management of information resources and serve as an alternative to traditional policy directives and regulations.

The Paperwork Reduction Act became effective April 1, 1981. The earliest priorities were to set in place a government-wide organizational structure and establish the processes needed to implement the Act.

The Office of Information and Regulatory Affairs was established January 29, 1981, well before the required deadline of April 1. On June 8, 1981, OMB Bulletin No. 81-21 was issued to provide guidance to the agencies on how they could organize to comply with the requirements of the Act. Consistent with the implementation strategy described above, OMB decided not to dictate to the agencies on how to organize. Rather, it was left to each agency head to select that organizational structure which was most appropriate for accomplishing the Act's requirements. To supplement the written guidance, OMB conducted a one-day workshop at which representatives from the Federal agencies had an opportunity to discuss the Act's organizational requirements with speakers from the private sector, Congressional committee staffs, and agencies with experience in organizing their information resources management activities.

Concurrent with the implementation of the organizational structure, there was a need to establish a mechanism for handling all the reporting and recordkeeping requirements that would be received by OMB. The public protection clause in the Paperwork Reduction Act, which requires that all Federal information requirements addressed to more than nine members of the public have an OMB number by December 31, 1981, resulted in a significant increase in the number of reporting and recordkeeping requirements submitted for review. To handle this workload, an automated system called the Reports Management System was developed. This system provides on-line access to management information regarding all the reports and recordkeeping requirements submitted to OMB for approval. The experience gained in implementing and using this system will be useful in efforts to develop the Federal Information Locator System required by the Act.

During this same period, OMB also completed work on the second annual Information Collection Budget (ICB). The ICB is a new process under which agencies with significant public reporting and recordkeeping requirements submit a budget request to OMB. The unit of measure for this budget is the number of hours the public will spend responding to the agency's information requirements during the coming fiscal year. OMB reviews these requests in a manner similar to the review of fiscal budget requests, discusses them with the agencies, and then provides each of the agencies with an information collection budget allowance for the year.

In accordance with the strategy to emphasize agency accountability and focus on performance, each agency was required to submit a plan for conducting periodic reviews of its information management activities. The review plan permits each agency to focus on those activities it thinks are most important and, at the same time, represents a commitment by the agency to improve the management of its information resources. Additionally, the review plan establishes an action-forcing, transaction-oriented process which will provide a continuing dialogue between OMB and the agency. This approach has a number of benefits:

- It serves as an early-warning system on issues and initiatives of high interest.
- It permits OMB and the agencies to focus limited resources on the highest priority information issues.
- It gives OMB and the Congress a continuous flow of data to assess the effectiveness of agency information management.
- It helps identify structural impediments to the effective management of information and use of technology.

After reviewing the agency plans and discussing them with the agencies, OMB selected those which deal with high priority information management issues for special attention. In March 1982, OMB published a document entitled Improving Government Information Resources Management, which describes 66 information management reviews to be conducted by 26 agencies. These reviews are discussed in more detail in Chapter 3.

One of the major accomplishments during the past year has been the establishment of a continuing line of communication between OMB and the agencies. In addition to the formal guidance provided to all agencies, special implementation meetings were held with those agencies newly covered by OMB's oversight authority. More importantly, OIRA desk officers, who have responsibility for information and regulatory oversight functions for a specific agency, have been in continuous contact with their counterparts in the agencies to solve problems and provide guidance on implementation of the Act.

OMB has testified before Congressional committees on a number of occasions1/ and has published reports on agency actions to implement the recommendations of the Commission on Federal Paperwork (December 1980; transmitted to the Congress in January 1981) and on paperwork burden reductions to be accomplished in FY 1982 (Information Collection Budget of the United States Government, Fiscal Year 1982, which was released by the President in February 1982).

We are pleased with the progress that we have made in carrying out the objectives of the Act. We have integrated the agencies previously not subject to OMB's oversight into our system. We are reducing the burden the government imposes on the public by almost 13 percent from that which existed when this administration took office and by almost 17 percent from the level in place when the Act was passed. Moreover, we have begun

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1/ March 18, 1981, before the Senate Committee on Governmental Affairs, Subcommittee on Federal Expenditures, Research, and Rules about OMB's implementation of the Paperwork Reduction Act of 1980; April 29, 1981, before the House Government Operations Committee, Subcommittee on Legislation and National Security about the Small Business Administration's Section 8(a) contracts for acquiring automated data processing equipment; May 19, 1981, before the House Committee on Government Affairs, Subcommittee on Legislation and National Security about the U.S. Missile Attack Warning System; September 23, 1981, before the House Government Operations Committee, Subcommittee on Legislation and National Security about the Social Security Computer System; October 21, 1981, before the House Government Operations Committee, Subcommittee on Legislation and National Security about OMB's implementation of the Paperwork Reduction Act of 1980; and December 8, 1981, before the House Committee on Government Operations, Subcommittee on Government Information and Individual Rights about H.R. 316, "Limitation on Government Recordkeeping Requirements and Action Act of 1981."

a series of triennial reviews of information resources management and have established the foundation for development of a Federal Information Locator System that is required by the Act. These actions, and others, have laid the basis for future improvements in the management of information by the Federal government.

PLANNED INITIATIVES: After a year of experience under the Act, we are preparing to issue a revised version of OMB Circular No. A-40, "Controlling Paperwork Burdens on the Public." The new circular incorporates changes to conform to specific requirements of the Paperwork Reduction Act. It will be made available to the agencies and the public for review and comment within the next month. Appropriate modifications reflecting these comments will be made and a final document will be issued before the fall of this year.

While we have made progress in reducing the public reporting burden through administrative action, there are a number of legislative impediments to burden reduction. During the next few months we will be working with the Congress to review those legislative requirements proposed for modification. This initiative is addressed in further detail in Chapter 2.

Shortly, we will be issuing a Special Report on Statistics Related to the Budget of the U.S. Government for FY 1983. This report will provide an overview of changes in statistical programs which provide demographic, economic, and social data used in planning and evaluating a wide range of government and private programs and policies.

Finally, during the coming year we will be exploring incentive-based approaches to improving the management of public and private information resources. This initiative, which is discussed in detail in Chapter 4, will look at information resources management from several perspectives. First, how can the "demand" for information provided to the Federal establishment be reduced while improving the decision-making capacity of other institutions? Second, how can information resources within the Federal establishment be managed more efficiently? Specifically, we intend to explore the appropriate role of market competition in the provision of information services to Federal agencies and consider incentive approaches for addressing common-user information resource problems.

CHAPTER 2

FEDERAL PAPERWORK: ACTIVITIES, INITIATIVES, AND IMPEDIMENTS

The Paperwork Reduction Act of 1980 gives the Director of the Office of Management and Budget (OMB) authority to review and approve or disapprove all information collections imposed upon the public. Section 3507 states explicitly that no agency may conduct or sponsor the collection of information without such approval.

PAPERWORK REDUCTION: During the first eleven months that the Paperwork Reduction Act has been in existence, OMB has reviewed 4,767 requests by agencies for approval of information collections. This activity level, as shown in the following tabulation, is about two and a half times greater than in the two preceding years. The increase in activity level is attributable primarily to the addition of agencies previously exempt from OMB review.[2]

OMB Actions on Agency Requests for Paperwork Clearance

Actions	April 1981 through February 1982	April 1980 through February 1981	April 1979 through February 1980
Total........	4,767	1,944	2,054
Approvals......	4,131	1,751	1,857
Disapprovals....	480	179	180
Not subject to OMB review...........	156	14	17

The Act provides for OMB to complete its review of all information collections within 60 days of receipt. In addition, the Act allows OMB to extend the review period for another 30

2/ Under the Federal Reports Act of 1942 as amended, the predecessor statute to the Paperwork Reduction Act, the Internal Revenue Service; Bureau of Alcohol, Tobacco, and Firearms; Comptroller of the Currency; and several other agencies in the Department of the Treasury and in other departments were exempted from any paperwork review and approval or disapproval authority other than that which they established for internal agency review purposes. In addition, in 1973 P.L. 93-153 transferred the independent regulatory agencies from OMB's paperwork review and approval and disapproval authority to a review and comment process by the General Accounting Office.

days, except for those information collections submitted for review under Section 3504(h) of the Act. During the period covered by this report, OMB took action on all but 13 proposed information collections within these time frames. In fact, OMB reviews have been completed in an average of 36 days. As might be expected, reviews which resulted in disapprovals took somewhat longer than those resulting in the issuance of a current OMB control number. The average time spent in reviewing information collections that were ultimately disapproved was 43 days. In contrast, those approved were under review for an average of 35 days.

In the process of bringing the newly covered agencies into compliance with the Paperwork Reduction Act and converting the independent regulatory agencies from GAO to OMB paperwork review, OMB held a number of meetings with representatives of these agencies and issued various guidance documents. In addition, the OMB desk officers assigned to each of the agencies continuously consulted with the agencies and provided guidance on a one-to-one basis. These actions resulted in 2,282 information collections being added to the OMB inventory of active approved reports.

Most of these newly covered information collections received a preliminary review upon receipt and were originally assigned an OMB control number that expired December 31, 1981. Information collections conducted by the independent regulatory agencies that had been reviewed by the General Accounting Office, and which had a valid GAO control number, were given OMB control numbers with expiration dates corresponding to the expiration dates previously assigned by GAO. In some cases, particularly in the instance of Internal Revenue Service tax forms, abbreviated reviews identified issues to be resolved in subsequent submissions. This approach was taken because of the necessity to process these time-sensitive information collections quickly so that the forms could be printed and in the hands of the taxpaying public before January 1, 1982, when they were needed to report on taxable income received during 1981 and to claim refunds or to pay unpaid taxes.

Emergency Requests for Approval - Emergency requests for approval under Section 3507(g) occurred only 17 times during the April 1981-February 1982 period covered by this report, and each request was granted. Of these, 15 were for information collections to implement the Department of Agriculture's marketing order program, one was for an Internal Revenue Service information collection associated with its rule providing temporary exemptive relief allowing insurance companies to establish separate accounts to sell tax deferred variable annuity contracts, and the other was an information collection by the Department of Labor's Occupational Safety and Health Administration allowing employers to react to OSHA's inspections and provide information needed to develop a cooperative, nonadversarial program.

Duplication - In reviewing each proposed information collection, OMB seeks to determine if the proposed information is already available or if existing information would serve the agency's need, even though it may not be precisely the same as that proposed to be collected. Unnecessary duplication is grounds for disapproval.

In the eleven-month period covered by this report, OMB has identified 18 information collections that would have requested information already available to the Federal government. (These are identified in Appendix 1.) In each of these situations, the proposing agency was directed to utilize the information already in its possession or in the possession of another agency instead of conducting a new information collection.

The presence of duplication is frequently more apparent than real. For example, many information collections obtain some information about the employment or unemployment status of individuals. Each collection, however, uniquely uses this information in connection with other information specifically relating to the respondent. In addition, the universe of those included in one collection may be different from the universe that is subject to another collection. In such cases, using data obtained in one collection for another purpose might lead to spurious results.

Central Collection Agencies - Federal agencies are aware of the need to avoid duplication. Hence OMB rarely receives a request for approval of a collection that duplicates an information base already in place or in the process of being developed. Before requesting OMB approval of an information collection, agencies frequently seek arrangements whereby one agency collects data for itself and others. This is the case with the Current Population Survey, where agencies have added questions, as a supplement to the survey's basic monthly collection, to avoid duplication and to impose the least possible cost on the government and those providing the data. Because agencies generally make their own arrangements of this type, it is not surprising that OMB has not had to use the authority of Section 3509 of the Paperwork Reduction Act to designate a central collection agency.

Violations - Section 3514 of the Act requires OMB to list all known violations of the Act in its annual reports to the Congress on implementation of the law. Virtually all violations appear to center on the Act's requirement for OMB approval of requests for the collection of information, and these are extremely difficult to discover. Those that have been uncovered are described in Appendix 2.

The public protection clause, Section 3512 of the Act, is the public's principal protection against a violation of the Act's requirements in Sections 3507(a) and (f). This clause, which has only been operative since January 1982, provides "notwithstanding any other provision of law, no person shall be subject to any penalty for failing to maintain or provide information to any agency if the information collection request involved was made after December 31, 1981, and does not display a current control number assigned by the Director, or fails to state that such request is not subject to this chapter."

Violations generally occur because someone in a Federal agency is not aware of the requirements set forth by the agency's internal rules or is not aware of OMB's statutory authority over paperwork. The most common way for OMB or the agency senior officials to learn of violations is for the public to register a complaint. Very few such complaints have been received. This may change as the public becomes more familiar with the public protection clause.

INFORMATION COLLECTION BUDGET: To supplement the case-by-case review process for information collections described earlier in this chapter, and to provide a complete picture of information collection activities, OMB has instituted a planning and budgeting process called the Information Collection Budget (ICB). The ICB is based upon the assumption that information is a commodity which, like other commodities, has costs of production as well as benefits of use - that the public has only a limited amount of time to supply, and the Federal government only a limited amount of resources to assemble, process, and use the information. The ICB process requires that agencies recognize these constraints and set information collection priorities accordingly. OMB then reviews these priorities and establishes limits on the reporting burden each agency may impose upon the public.

The 1982 ICB Process - Section 3505 of the Act requires the Director of OMB to "set a goal to reduce the existing burden of Federal collections of information by 15 percent by October 1, 1982, and an additional 10 percent by the end of FY 1983." In addition, the Act requires the identification of initiatives to reduce information collection burdens associated with the administration of Federal grant programs by 10 percent.

On June 2, 1981, in announcing requirements for the FY 1982 ICB, the Director of OMB stated:

> P.L. 96-511 requires that OMB establish specified goals to reduce existing information collection burdens. OMB has formally adopted and fully intends to meet these goals. The base against which progress toward these goals will be measured is the total reporting burden known to OMB to have been in effect when P.L. 96-511 was passed. In order to achieve these goals, the planning level for the 1982 ICB is set at 15 percent, and for 1983 at 10 percent below the 1980 base figure for each agency. Within the overall goal of 15 percent for FY 1982, we have established, in accordance with Section 3505(2)(E) of P.L. 96-511, a burden reduction goal of

10 percent for FY 1982 for information collections associated with the administration of Federal grant programs.

Results of the FY 1982 ICB - As shown in Table 1, limits established by OMB as part of the ICB process will result in Federal paperwork falling to 1.3 billion hours by the end of FY 1982, a decline of 13 percent from the 1.5 billion hours in place when President Reagan took office in January of 1981. In addition, as shown in Table 2, this FY 1981-82 reduction, in combination with paperwork reductions already achieved, means that the executive branch has achieved a 17 percent reduction in paperwork known to exist in 1980. This surpasses the goal established by Congress of reducing existing paperwork by 15 percent between FY 1980 and the end of FY 1982.

Table 3 shows that agencies with Federal grant assistance programs will have reduced the burdens they impose on grantees by 24.8 percent, or more than twice the 10 percent goal set by Congress. Because reporting associated with the administration of Federal grants was not examined as part of the FY 1981 ICB exercise, FY 1980 base figures are not available. Consequently, FY 1981 figures are the only figures against which to assess progress in meeting the 10 percent reduction in grantee reporting established in Section 3505(2)(E) of the Act. This reduction is attributable largely to enactment of the administration's block grant program.

Additional details regarding ICB results and characteristics of Federal paperwork, including a listing of the Federal government's most burdensome paperwork, are contained in the Information Collection Budget of the United States Government: Fiscal Year 1982, which OMB issued in February 1982.

Planning for FY 1983 Paperwork Reductions - In order to achieve the full 25 percent burden reduction goal estabished by Congress, many agencies will have to make significant reductions in the paperwork they are imposing during FY 1982.

In letters addressed to heads of agencies that have not yet attained the 25 percent reduction, OMB emphasized that achievement of the goal is still expected of all agencies. In addition, the overall planning level for FY 1983 anticipates reductions of about 10 percent from the 1982 ICB ceiling of 1.3 billion hours. This planning level was established in the President's Budget for FY 1983 (see Major Themes and Additional Budget Details, pp 267-268).

SPECIAL PAPERWORK REVIEW INITIATIVES: This administration is particularly sensitive to the public concern about burdensome and duplicative Federal reporting requirements. Accordingly and on the basis of public comments received by the Presidential Task Force on Regulatory Relief, specific areas where burden could be reduced have been identified. In announcing an initiative to examine these paperwork requirements, on August 12, 1981 the Vice

TABLE 1

ICB Requests and Allowances, FY 1982
(In millions of respondent hours)

Agency	FY 1981 Base	FY 1982 Request	FY 1982 Allowance	Percent Change FY 1982 Allowance from FY 1981 Base1/
Total Government1/2/	1,534.1	1,409.7	1,338.2	-12.8
Excluding Treasury1/2/	872.9	782.0	736.5	-15.6
Departments:				
Agriculture	116.3	109.8	103.1	-11.4
Commerce	6.9	3.7	3.5	-49.5
Defense	7.7	8.0	6.8	-12.1
Education	7.8	7.6	7.2	-7.7
Energy3/	14.9	15.3	12.7	-14.6
Health and Human Services	124.6	116.5	111.2	-10.8
Housing and Urban Development	14.9	11.8	10.5	-29.5
Interior	12.5	10.6	10.3	-18.0
Justice	4.9	5.2	4.4	-11.6
Labor4/	108.1	98.9	91.4	-15.5
State	2.7	2.5	2.4	-13.0
Transportation	212.9	191.5	186.5	-12.4
Treasury	661.2	627.1	601.7	-9.0
Internal Revenue Service	(644.2)	(610.3)	(586.2)	(-9.0)
Agencies:				
Civil Aeronautics Board	0.6	0.5	0.5	-18.3
Commodity Futures Trading Comm.	2.6	2.6	2.3	-9.2
Consumer Product Safety Comm.	0.7	0.7	0.7	-2.1
Environmental Protection Agency	19.2	19.0	15.4	-19.9
Equal Employment Opportunity Comm.	3.8	3.8	3.3	-12.5
Federal Communications Comm.	27.2	9.8	9.8	-64.0
Federal Deposit Insurance Corp.	1.5	1.3	1.3	-15.0
Federal Emergency Management Agency	0.6	0.6	0.4	-20.6
Federal Home Loan Bank Board	9.7	8.0	8.0	-17.6
Federal Reserve Board	6.9	5.8	5.8	-15.1
Federal Trade Comm.	0.7	1.3	0.6	-15.4
General Services Admin.	2.8	2.7	2.7	-3.5
Interstate Commerce Comm.	1.8	1.5	1.5	-16.7
National Aeronautics and Space Admin.	0.3	0.2	0.2	-18.7
National Credit Union Admin.	77.5	65.7	62.2	-19.7
National Science Foundation	4.3	4.4	4.4	+1.3
Nuclear Regulatory Comm.	19.3	17.1	13.1	-32.0
Office of Personnel Management	2.5	2.5	2.5	0.0
Railroad Retirement Board	1.2	1.0	1.0	-16.5
Securities and Exchange Comm.	46.8	42.5	42.0	-10.3
Small Business Admin.	0.8	0.8	0.8	-8.5
Veterans Admin.	6.6	7.3	6.8	+3.3

1/Total and percentages were calculated from unrounded numbers.
2/Includes a number of small paperwork agencies not presented separately.
3/Includes the Federal Energy Regulatory Commission.
4/Includes the Pension Benefit Guaranty Corporation.

TABLE 2

Paperwork Reduction from the FY 1980 Base, FY 1982
(In millions of respondent hours)

Agency	FY 1980 Base	FY '80-82 Reduction	Percent Change from FY 1980 1/
Total Government1/2/	1,477.0	-246.2	-16.7
Excluding Treasury1/2/	826.5	-187.6	-22.7
Departments:			
Agriculture	114.0	-23.5	-20.6
Commerce	38.3	-36.1	-94.3
Defense	8.0	-1.7	-21.7
Education	9.0	-1.9	-21.1
Energy3/	17.9	-6.4	-36.0
Health and Human Services	83.8	-21.5	-25.6
Housing and Urban Development	21.5	-4.4	-20.4
Interior	10.1	-2.0	-19.4
Justice	3.8	-0.7	-17.3
Labor4/	20.8	-5.2	-25.1
State	3.0	-0.4	-13.5
Transportation	271.0	-26.3	-9.7
Treasury	650.5	-58.5	-9.0
Internal Revenue Service	(641.2)	(-57.7)	(-9.0)
Agencies:			
Civil Aeronautics Board	0.6	-0.1	-19.9
Commodity Futures Trading Comm	2.6	-0.3	-10.9
Consumer Product Safety Comm	5/	5/	-7.8
Environmental Protection Agency	8.4	-2.9	-35.1
Equal Employment Opportunity Comm	2.1	-0.6	-30.2
Federal Communications Comm	27.2	-17.4	-63.9
Federal Deposit Insurance Corp	1.5	-0.2	-15.0
Federal Emergency Management Agency	0.5	-0.1	-15.0
Federal Home Loan Bank Board	9.7	-1.7	-17.6
Federal Reserve Board	6.9	-1.0	-15.1
Federal Trade Comm	0.2	-0.1	-30.1
General Services Admin	0.4	5/	-3.3
Interstate Commerce Comm	2.1	-1.1	-55.0
National Aeronautics and Space Admin.	0.3	-0.1	-21.3
National Credit Union Admin	77.5	-15.3	-19.7
National Science Foundation	1.2	-0.1	-12.1
Nuclear Regulatory Comm	19.3	-9.4	-49.2
Office of Personnel Management	3.1	-0.3	-8.5
Railroad Retirement Board	0.6	-0.1	-18.8
Securities and Exchange Comm	46.8	-4.8	-10.3
Small Business Admin	0.8	-0.7	-16.0
Veterans Admin	6.4	-1.0	-16.0

1/Totals and percentages were calculated from unrounded numbers.
2/Includes a number of small paperwork agencies not presented separately.
3/Includes the Federal Energy Regulatory Commission.
4/Includes the Pension Benefit Guaranty Corporation.
5/Less than 50,000 hours.

TABLE 3

Grant Reporting FY 1982
(In millions of respondent hours)

Agency	FY 1981	FY 1982		Percent Change FY 1982 Allowance from FY 1981 Base1/
	Base	Request	Allowance	
Total Government1/	50.8	39.1	38.2	-24.8
Departments:				
Agriculture	1.3	1.5	1.5	+13.6
Commerce	0.3	0.1	0.1	-63.5
Education	7.3	7.1	7.0	-4.6
Energy	0.7	0.6	0.6	-9.7
Health and Human Services	16.4	10.3	9.7	-40.8
Housing and Urban Development	19.5	12.9	12.9	-33.7
Interior	0.1	0.2	0.2	+106.9
Justice	2/	2/	2/	-1.8
Labor	9.9	7.8	7.8	-20.8
State	2/	2/	2/	+9.1
Transportation	8.4	4.2	4.2	-50.2
Treasury	0.0	0.0	0.0	0.0
Agencies:3/				
Environmental Protection Agency	1.9	1.8	1.6	-15.7
Federal Emergency Management Agency	0.1	0.1	0.1	-17.3
National Science Foundation	4.2	4.2	4.2	-0.1
Office of Personnel Management	2/	0.0	0.0	-100.0

1/Totals and percentages were calculated from unrounded numbers.

2/Less than 50,000 hours.

3/Some small paperwork agencies not asked to participate in this year's ICB may have had grant reports in FY 1981 and may have like reports in FY 1982. If all of their FY 1981 and anticipated FY 1982 respondent burden hours were for grant reporting, the total Federal government respondent burden associated with grant reporting would decrease by 22.1 percent between FY 1981 and the end of FY 1982.

President said that "the responsible agencies, in coordination with OMB, will be reviewing these and other paperwork requirements in order to cut down the avalanche of paperwork generated by the Federal government."

The problems faced by small business are of particular concern. On February 4, 1982, after further internal review, the Vice President announced additional small business paperwork requirements for special review. Appendix 3 describes the paperwork requirements that are undergoing special review.

COMMISSION ON FEDERAL PAPERWORK RECOMMENDATIONS: Section 3505(3)(D) of the Act requires OMB to complete action on recommendations of the Commission on Federal Paperwork by April 1, 1983, and Section 3514 requires OMB to report to the Congress on the specific actions taken.

On January 19, 1981, OMB issued the first in a new and final series of reports on actions taken by the agencies in response to the Commission's recommendations and transmitted that report to the President of the Senate and the Speaker of the House of Representatives. The report, Federal Information Collection, Agency Actions on Commission-on Federal Paperwork Recommendations, Volume I - Multi-agency Recommendations, reported final actions taken on 49 recommendations made by the Commission. If these recommendations were counted once each time the Commission addressed an agency, the 49 multi-agency recommendations would have been counted as 118 individual recommendations. That is how they were counted in OMB's earlier preliminary reports on the status of the Commission recommendations.

A second volume covering recommendations addressed to executive branch departments is in the final stages of completion and will be issued shortly. This volume describes actions taken on another 183 recommendations -- all but 17 of which have received final action. A third volume in this final series of reports covers recommendations addressed to the Executive Office and nondepartmental agencies. This report will include the remaining 200 of the 501 recommendations that the Commission addressed to executive agencies. It is expected that this report will be issued before April 1983.

FEDERAL INFORMATION LOCATOR SYSTEM: Sections 3504(b), 3505(2), 3507(a), and 3511 of the Paperwork Reduction Act mandate establishment of the Federal Information Locator System (FILS) by April 1, 1982.

FILS, as envisioned by the Congress, would place in one location all existing Federal information collections, thus permitting Federal managers to see if data they need already exist, thereby reducing duplication in the Federal information collection process. It must be noted, however, that duplication is already infrequent, even though the common perception is to the contrary. FILS is also to serve as the authoritative register of all information collection requests.

In October 1981, OMB realized that it would be impossible to meet the statutory requirement to establish FILS by April 1, 1982. In testimony before the House Committee on Government Operations on October 21, 1981, the Deputy Director of OMB testified to that effect. Since then OMB has made progress toward the establishment of FILS.

At one point, OMB believed it might be possible to establish FILS quickly by either expanding the OMB Reports Management System or finalizing the draft FILS functional requirements report, which had been prepared in 1981. However, OMB concluded that neither approach would produce a cost-effective FILS founded on a solid base to facilitate future expansion.

The present approach is to select an operational capability, implement necessary minor modifications, and then use that capability as the foundation (prototype) for gradually establishing FILS. Selection of this prototype does not require that all components be established in the initial system but that the essential features exist as proven operational capabilities. This evolutionary process would be monitored to assure a cost-effective FILS, consisting of realistic capabilities within the framework of established computer technology.

In the process of developing FILS, OMB may suggest that agencies adopt or build compatible systems. However, it is too early to determine what, if any, FILS-related actions should be taken by the agencies. It may be possible to develop and operate FILS as a central OMB system. For this reason, and at this time, any new agency development activities for FILS would probably be duplicative and wasteful. OMB is currently evaluating two systems which may meet the requirements of a FILS prototype. They are the OMB Reports Management System (RMS) and the Department of Defense Information Requirements Control Automated System (IRCAS).

Reports Management System - RMS supports OMB's paperwork review process under the Paperwork Reduction Act. The RMS data base, covering all information collections approved by OMB, is currently the most comprehensive source of automated data profiles for public use forms. It serves as the "register of all information collection requests" required by the Act. At present, agency demand for access to RMS exceeds OMB's capability to provide on-line access. Anticipated demand for FILS should far exceed current demand for RMS.

The RMS data base does not include "a synopsis of the questions contained in an information collection request." Otherwise, RMS would fully meet the FILS requirement for a "directory of information resources."

Expansion of RMS to include synopses of questions and allow for a computer search of those synopses would be needed before RMS could be a prototype for FILS. This expansion is not believed to be cost-effective. However, the need to retain the full RMS data base as a FILS component is essential.

Information Requirements Control Automated System - Defense's IRCAS system also meets some of the requirements of FILS. The IRCAS capability exists as a series of independent but similar agency systems. At the present time, 14 agencies are using IRCAS for a variety of internal information resources management activities. DOD, which functions as the Federal manager of IRCAS, is its largest user. IRCAS can search for data profiles of existing information collections on the basis of a user's inquiry. IRCAS, like RMS, does not incorporate a "data element" dictionary.

FILS Prototype - During March 1982, in a joint effort with OMB, the Department of Defense established a candidate prototype FILS based on the IRCAS system. The data base includes profiles for only 307 public-use forms. However, these forms represent approximately 70 percent of the Federal government's reporting burden. The system also includes profiles for 228 interagency forms. The prototype can be expanded to include all OMB-approved information collections.

Review of the IRCAS prototype FILS has been limited, when contrasted with the assessment made of RMS. Nevertheless, OMB has experimented with IRCAS enough to determine that the search methodology appears to be a candidate for adoption as the FILS locator of existing Federal information.

The target dates for implementation of a FILS prototype and for establishment of a fully operational FILS are October 1, 1982 and October 1, 1983, respectively.

FILS will be a central system managed by OMB or an agent of OMB. Federal agencies will not be required to input data directly to the prototype FILS in FY 1983. Rather, data will be obtained as a byproduct of the information collection approval process and provided to FILS, after OMB has approved information collection requests. The target date for FILS access by Federal agencies is March 1983. Agency charges for access to FILS will be based on usage. The target date for public access is October 1983.

The fully operational FILS will include all OMB approved public-use forms. Then, FILS, rather than RMS, will serve as the authoritative register of all information collection requests. At that time, any remaining agency access to RMS will be terminated. Agency officials or members of the general public will be able to access FILS for the purpose of comparing data profiles for proposed information collection requests against existing profiles in the system. This should promote greater information sharing by agencies. After FILS is operational OMB will consider the desirability of expanding FILS to include other information beyond that dealing with OMB-approved collections of information. The processing capability for public-use forms should be easily adapted to interagency forms. At no time, however, will actual data obtained from collections of information be in the system. FILS will be restricted to descriptive data profiles.

LEGISLATIVE IMPEDIMENTS TO REDUCING BURDEN UPON THE PUBLIC: In passing the Paperwork Reduction Act, Congress gave OMB full authority to carry out the Act's requirements. It rescinded all of the exemptions that had existed under the predecessor statute, the Federal Reports Act of 1942, and brought the independent regulatory agencies back to OMB's jurisdiction from the General Accounting Office. Unfortunately, since the Paperwork Reduction Act was passed, Congress has limited OMB's paperwork authority in two areas and is currently considering another limitation. In signing into law a bill generating one such exemption, President Reagan stated: "I must express my concern over these exemptions...the exemption circumvents our regulatory relief efforts..." Gradual erosion of OMB's authorities under the Act is the most serious impediment, or more precisely, threat, to achieving the paperwork reduction goals established in the Act and supported by this administration.

In passing the Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35), Congress exempted from OMB review all information collection activities of the Department of Health and Human Services pertaining to Adolescent Family Life Demonstration Projects and other research under Section 2008(g). The administration has already asked the Congress in the President's FY 1983 Budget to nullify this exemption. In amending the "Marine Mammal Protection Act of 1972," Congress further reduced the ability of the executive to manage the government's paperwork by exempting the entire class of information collections contained in regulations to be issued under Section 4 of P.L. 97-58.

The Congress is currently considering a bill that would remove OMB approval or disapproval authority from about 45 percent of the paperwork imposed by the executive branch of government. This limitation, contained in Section 202 of S. 2198, "Taxpayer Compliance Improvement Act of 1982," would effectively reinstate the Internal Revenue Service's exemption from OMB's paperwork authority that existed under the Federal Reports Act. If the intent of the Congress, as expressed in the Paperwork Reduction Act, is to be fully implemented and if the public is to be assured that the Federal government is imposing the least paperwork burden consistent with minimum Federal need, both the Congress and the executive need to work closely together to avoid introducing exemptions that will largely neutralize major sections of the Act.

Another type of impediment to reducing paperwork burden involves Congressional actions to establish recordkeeping or reporting requirements in statute. In such cases, removal of an onerous requirement may not be possible without seeking legislative relief. In the absence of administrative discretion to terminate a statutorily imposed paperwork requirement that is found to be excessive, unnecessary, duplicative, etc., such a requirement must continue in place until relief can be provided by Congress.

In the FY 1982 Information Collection Budget, OMB provided seven examples of statutorily imposed paperwork considered by executive branch agencies as candidates for repeal. Since that publication was issued, these and other agencies have uncovered additional requirements that impose burdens in excess of 75,000 hours annually and that should be repealed or amended. These impediments are described in Appendix 4.

By no means is this an exhaustive list of legislative impediments. Many items have been identified that involve fewer than 75,000 hours annually. In addition, the task of reviewing existing statutes to search for paperwork requirements is, for many agencies, lengthy and demanding. In attempting to adhere to other requirements necessary to comply with fundamental provisions of the Paperwork Reduction Act, many agencies have been unable to fulfill their obligation to conduct a thorough statutory review. During the next 12 months agencies will be in a much better position to undertake and complete these reviews. The next annual report will provide a more comprehensive listing of legislative impediments.

As for legislative impediments already uncovered, agencies in some cases have had legislation introduced calling for statutory repeal or modification. Where Congressional action has not yet been sought, OMB will assist executive branch agencies in obtaining early statutory relief.

REDUCING REPORTS TO THE CONGRESS: Section 3504(b)(1) of the Paperwork Reduction Act requires OMB to "develop and implement uniform and consistent information resources management policies..."

One area of information management policy that OMB has been concerned with deals with the exchange of information between the executive and legislative branches. The executive branch transmits to the Congress a wide spectrum of information in a variety of ways. OMB believes that efficiencies in this exchange process are possible. This is particularly the case when reports to the Congress no longer serve their intended purpose or duplicate the transmission of other information. Accordingly, OMB identified a number of legislatively required reports that met these criteria and developed legislation, the Congressional Reports Elimination Act of 1980, which was signed into law as P.L. 96-470.

While this legislation eliminated over 100 recurring reports to the Congress, close to 3,000 statutory provisions still exist today requiring agencies to submit recurring reports to the Congress. In addition, there are 24 reporting requirements that apply to several agencies and involve the submission of an additional 790 reports.

Due to the fact that agencies continue to work under personnel and budget restrictions while the number of Congressionally mandated reports continues to grow at a rapid pace each year, OMB has developed new legislation to eliminate or modify an additional 200 recurring reports.

This bill is the culmination of work by over 25 agencies. Implementation of the proposals set forth in the bill could result in saving the Federal government in excess of $10 million annually and should contribute to one of the President's major goals, improving the efficiency of the executive branch. The bill should also be instrumental in streamlining executive branch communications with the Congress.

CHAPTER 3

INFORMATION RESOURCES MANAGEMENT

As discussed earlier in this report, a central theme of the Paperwork Reduction Act of 1980 is information resources management. This concept entails a conceptual and behavioral approach to managing information which integrates the discrete elements of the information life cycle and focuses on the totality of that cycle. The House Committee report on the Act defines information resources management (IRM) as "the planning, budgeting, organizing, directing, training, promoting, controlling, and other managerial activities involved with the collection or creation, use, and dissemination of information..." The management goal of IRM is to optimize the allocation of resources across the total information life cycle.

Within both the public and private sectors, information resources management is a relatively new and ill-defined concept. As a result, there is no road map which can be used to guide the executive branch in its implementation of IRM. However, experience to date suggests that implementation is a long-term task which will require both agency-specific as well as government-wide action. This chapter of the annual report describes some of those actions which are either underway or planned.

INFORMATION RESOURCES MANAGEMENT REVIEWS: The Paperwork Reduction Act requires that the senior official in each agency and the Office of Information and Regulatory Affairs conduct reviews and audits of government information management activities. The Office of Management and Budget (OMB) is emphasizing this requirement as the cornerstone of its implementation strategy.

OMB Bulletin No. 81-21 required each agency to prepare a plan for conducting reviews of selected information management activities. The objectives of the review plans were to obtain a commitment from each agency senior official to begin improving the agency's information resources, establish an action-forcing dialogue between OMB and the agencies, and emphasize performance rather than process.

Each plan was assessed by OMB and discussed with the agency. Of the many individual reviews described by the agencies, OMB selected 66 for special attention during the coming year. The reviews selected address high priority information management activities, especially those that affect a large population or have a direct and substantial impact on fundamental agency missions. Reviews which offered a high probability of producing tangible, and transferable, benefits were also selected.

The 66 reviews are discussed in detail in the recent publication entitled Improving Government Information Resources Management. OMB will monitor each of these reviews closely and, in some cases, actually participate in the reviews. It is hoped that many of the reviews will result in direct benefits such as improved service delivery, improved use of technology, reduced public reporting burden, reduced spending, reduced waste, and reduced Federal competition or interference with the private sector. In some instances, it is anticipated that the reviews will identify problems which require government-wide remedies.

The Paperwork Reduction Act also requires that OMB, with the assistance and advice of the General Services Administration, selectively review the information activities of each agency at least once every three years. The audits to be conducted by the agencies will be used as one of several bases for selecting those information activities to be reviewed by OMB and GSA. In a closely related area, OMB is working with the General Accounting Office to address the Act's requirement for developing audit standards to assess major information systems.

PRODUCTIVITY INITIATIVES: A major objective of the Paperwork Reduction Act is to enhance the delivery of public services through the efficient and effective application of information technology. A number of the agency IRM reviews discussed above are specifically designed to investigate the feasibility of applying information technology to Federal programs. OMB believes that agency-conducted reviews are the optimum method for identifying beneficial technological applications, and that its role should be to support those applications, where justified, and to assist in the transfer of the application, where appropriate.

INFORMATION PROCESSING STANDARDS: Since 1965, there has been a legal requirement that the Federal government issue and use computer standards. It was intended that such standards would contribute to the competitive acquisition of information technology, improve the management of Federal computer resources, and enhance the transfer of technology among agencies.

For many years the computer standards program was hampered by a lack of direction and limited resources. In addition, few of the standards then issued or under development were responsive to the needs of user agencies. In 1979, OMB directed the Institute for Computer Standards and Technology, which is responsible for the Federal information processing standards programs (ICST is a subcomponent of the National Bureau of Standards, Department of Commerce), to begin developing a long-range standards plan and to involve user agencies in the preparation of that plan. OMB also directed ICST to begin preparing cost-benefit studies on individual standards. The intent was that agencies would adopt those standards for which economic benefits could be demonstrated.

As a result of these actions, the Federal computer standards program has been substantially improved. Additional actions are contemplated. In particular, it is important to reinforce the government's preference to rely on the development of voluntary standards by the private sector. Such standards are preferable to the issuance of unilateral, mandatory standards by the Federal government. At the same time, there are certain circumstances under which Federal action is desirable. There is a need, however, to develop more precise criteria as to when that is the case. In a related area, it is hoped to both develop a methodology for more accurately assessing the benefits and costs of particular standards activities and establish incentives which encourage Federal agencies to use standards. In the near term, the administration has proposed that ICST be transferred to the General Services Administration. This consolidation of responsibilities should improve the responsiveness of the Federal standards program.

LONG-RANGE PLANNING: Section 3505(3)(E) of the Paperwork Reduction Act requires that the Director of OMB "develop, in consultation with the Administrator of General Services, a five-year plan for meeting the automatic data processing and telecommunications needs of the Federal government." Under the Act, this project must be completed by April 1, 1983.

An effective planning mechanism for ADP and telecommunications resources is essential for sound and prudent management. Thus, steps have already been taken toward conceptualizing the shape of this five-year planning process. In this regard, three actions are in progress.

First, OMB is researching both current and past planning models in both government and private industry to examine "what works" and to learn from the mistakes in other planning mechanisms. Specifically, GSA has some experience in implementing limited planning requirements for the Federal government and OMB has implemented a five-year acquisition plan for ADP and telecommunications.

Second, OMB has been working with the central agencies, including GSA, NBS, and the National Telecommunications and Information Administration to share perspectives about planning and get their best ideas about how to design and implement a government-wide planning process. Also, the role of the other central agencies in the planning process is being discussed.

Finally, OMB has been laying out specific options for the design of the planning process. Here, options range from enhancements of the current planning mechanisms to very comprehensive designs which could involve a technological forecast on an annual basis by ICST, a life-cycle systems plan for the largest government information systems, and a computer obsolescence replacement program.

FEDERAL RECORDS MANAGEMENT: The Paperwork Reduction Act assigns a new role for OMB in the area of Federal records management activities. The Act requires that OMB work with GSA and the agencies to integrate records management activities with the other disciplines encompassed by information resources management. OMB and GSA are also tasked to develop records retention standards for the recordkeeping requirements imposed on the public by the Federal government.

Shortly after enactment of the Paperwork Reduction Act, OMB initiated a series of discussions with the National Archives and Records Service to focus on the accomplishment of these objectives. One of the early steps OMB took was to modify the Reports Management System so that it collected data on retention periods of recordkeeping requirements submitted by the agencies for clearance. These data should be useful as a basis for establishing uniform record retention requirements. OMB is also exploring several alternative strategies for creating incentives which would encourage more efficient allocation of records management resources. These are discussed in more detail in the next chapter.

CHAPTER 4

THE ROLE OF INCENTIVES FOR IMPROVED RESOURCE ALLOCATION

The Federal government occupies a unique role in the national and international information arena where it is simultaneously a major producer, consumer, and regulator of information. Next to financial transfers and national defense, the provision of information to and from the Federal government is the most important relationship between the private and public sectors. The efficiency with which information resources are managed cannot be addressed without considering the interaction of the private and public sectors in the flow of information goods and services.

As observed in a recent study:

> Information is a resource of immense economic and social value. It is vital to the proper functioning of a democratic society, a crucial tool in a productive economy and an effective government, a central part of the growth and well being of individuals. Perhaps because of its importance, information has become a focal point of concern about the relationships among the many sectors of our society, both governmental and private...There has been an increasing awareness of information as something of economic value, as a commodity, as a tool for better management of tangible resources, and as an economic resource in and of itself. This view of its economic importance has been added to the historical recognition that information is essential to a democratic society and to the well being of both the society as a whole and the individual personally.3/

This study also observes long-standing and fundamental public policy conflicts affecting government's role in the provision of information. On the one hand, there are those who would treat information largely as a means to an end (i.e., as a way of increasing the productivity of other resources or for making resource allocation decisions). On the other hand, policy conflicts result from attempts to assign economic values to information apart from its alleged non-economic or intrinsic values. In turn, information pricing policies are often

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3/ Public Sector/Private Sector Interaction in Providing Information Services, National Commission on Libraries and Information Science, 1982, U.S. Superintendent of Documents.

resisted, accompanied by pressures to ensure free access to certain categories of information.4/ It should be recognized, however, that the price system is an essential tool for communicating information and that economics can help shape trade-offs among non-economic societal values. As Thomas Sowell has observed:

> There are only non-economic values. Economics is not a value itself, but merely a method of trading off one value against another. If statements about non-economic values are meant to deny the inherent reality of trade-offs, or to exempt some particular value from the trade-off process, then such positions need to be made explicit and confronted...to say that we 'cannot put a price' on this or that is to misconceive the process...someone must recognize a price on everything, and the only real question is who, and under what institutional incentives and constraints.5/

Information is essential for decision-making, and economics can be used to assist in shaping institutional trade-offs, aimed at improving the quality of social decisions while reducing the costs of making them. How then can specific improvements in these quality/cost trade-offs be achieved?

The administration has begun to address this question by looking more carefully at the Federal government's role as producer, consumer, and regulator of information activities - focusing in particular on those activities for which the Office of Information and Regulatory Affairs has statutory oversight responsibilities under the Paperwork Reduction Act of 1980 or regulatory oversight responsibilities under Executive Order 12291.

GOVERNMENT'S ROLE IN THE PROVISION OF INFORMATION: Government intervention is frequently justified by reference to the "public goods" characteristic of information and the difficulty of protecting property rights in information. The value of an economic commodity, for example, is often a function of the degree to which its availability can be controlled. Information, however, is difficult to control in that it can be owned simultaneously by many persons. Similarly, in the exchange of information, the purchaser cannot know its true value until he has acquired the information. Although the seller may take steps to protect his property rights in the information, he may do so

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4/ In 1979, for example, the White House Conference on Libraries and Information Policy called for a National Information Policy. Such a policy would have given "all persons free access, without charge or fee to the individual" to certain categories of information. Some groups have gone so far as to resolve that "all information should be available to all media for free."
5/ Thomas Sowell, Knowledge and Decisions, New York: Basic Books, 1980.

in a way that reduces its value to both him and the society. It is argued that these characteristics of information frequently inhibit private investment in information goods and services. As a result, government intervention is justified to correct for a "market failure."

Federal statistical programs, agricultural market news, and medical information programs are primary examples of an intervention strategy designed to overcome such difficulties. The goverment may also intervene to produce information when it will stimulate greater investment or production in socially beneficial activities. Federally funded scientific and technical information is such an area. At the same time, while these kinds of information may legitimately be called "public goods," there are still important institutional trade-offs to be considered. The methods of production, public or private, and the processes for dissemination and knowledge transfer can often be subjected to market-like tests. Some research, for example, may primarily benefit certain industries or segments of society. Similarly, some statistical products may be of disproportionate value to specific regions or localities. When these situations arise, an incentive mechanism may be needed to distribute costs in accordance with benefits more equitably.

Confidentiality of Information - Although government intervention in information management may correct some market failures, it can give rise to equally complex problems. One such issue is addressed by Section 3504(f)(1) of the Paperwork Reduction Act, which states that OMB is to develop policies and guidelines on information disclosure and confidentiality. Often the information collected by government, especially on a voluntary basis, will be complete and accurate only if respondents are assured their responses will be held in strict confidence. At the same time, if such responses cannot be shared among users that can guarantee the same protection of individual data, a barrier may prevent the efficient operation of a potential market.

These issues suggest that some approach should be carefully considered to provide safeguards for the confidentiality of records maintained by the Federal statistical system, and to improve the efficiency of Federal statistical programs by permitting limited sharing of records for statistical purposes under strong safeguards. The intent of this proposal has previously received support in the recommendations of the President's Commission on Federal Statistics (1971), the Commission on Federal Paperwork (1977), and the Privacy Protection Study Commission (1977).

One approach under consideration would designate specific agencies or organizational units within agencies as protected statistical centers. These centers are to maintain statistical files only (exclusive of administrative files) and provide appropriate safeguards to assure the integrity, confidentiality, and security of the statistical files. This could provide for limited and confidential sharing of individually identifiable information among protected statistical centers for statistical purposes.

Competition with Private Services - The public provision of information should also take into account the evolution of markets and technologies that often put government in direct competition with the private sector.

In recent years, the Federal establishment has employed new computer and communications technologies to provide services that compete with electronic message and banking services that are offered or could be offered by the private sector. In some cases, such as the provision of on-line medical and health information by the National Library of Medicine, the service originally met a need that probably could not have been met by the private sector. Nevertheless, over time, government-provided information services have continued to grow and develop with little or no attention to the ability or willingness of the private sector to assume them. Others in the private sector have come to depend on these services and resist the government's attempt to disengage itself, particularly when the services are free or where prices do not reflect the comparative cost or tax advantages of government enterprise.

Recognizing both the efficiency and equity features of this problem, the administration has pushed to redress competitive imbalances and make government information programs as self-sustaining as possible through increased user charges. The President's FY 1983 Budget includes a number of specific recommendations for reducing subsidies to or increasing fees charged by government enterprises that compete with the private sector in providing information services.

The administration is also reexamining a range of services which result in indirect competition with the private sector or exclusion of the private sector from participation in the market. The Department of Justice's JURIS legal research system is an example of a service which is provided only to other government agencies but which has been the focus of complaints from private parties in that it hinders them in marketing similar services to the government. Other government systems, such as FLITE developed by the Air Force, also provide information services that compete indirectly with the private sector.

INCENTIVES FOR IMPROVED INFORMATION RESOURCES MANAGEMENT: Complementing the administration's basic reexamination of the Federal government's role in the information marketplace is a concurrent effort to achieve more efficient management of information resources. Both efforts place an increasing emphasis on the role of incentives in fostering improved decision-making, public as well as private.

The strategy of increased reliance on market-like forces and incentives has two facets. The first deals with the appropriate role of market competition in the provision of information services to Federal agencies. A second relates to incentive approaches for addressing common-user information resource problems which exhibit the same "public goods" properties that lead to governmental intervention in the private marketplace.

Examples of areas in which incentives might improve resource allocation follow:

Government Printing and Publications - In the printing and distribution of information, the Federal government serves as its own source of supply. Printing services exist within a regulatory infrastructure which provides many disincentives, and few incentives, for improving management. Title 44 of the United States Code requires that all government printing, both for Congress and executive agencies, must be performed by or through the Government Printing Office (GPO). In addition, all government documents (with some limited exceptions) must be sold or distributed by the Superintendent of Documents, an entity of the GPO. At the peak of this structure is the Joint Committee on Printing, a legislative body with the authority to regulate executive branch activities.

It has become increasingly clear that those economies that may have justified GPO as an exclusive source of government printing in 1895 no longer exist today. The possible efficiency of a local monopoly service may have instead given way to inefficiency, accompanied by lack of incentive for GPO to maximize the efficiency of its operations. Furthermore, Federal managers have no incentive to improve the allocation of their information resources, since they are denied the opportunity to seek alternative sources of supply.

The issue is further complicated by efforts to apply the existing out-of-date regulatory framework to new technologies. In particular, information technology has created both new methodologies for producing printed documents, and at the same time obviated the need for printed documents. Yet the primary perspective for managing these resources continues to be based on the concept of printing. Indicative of this complexity is the decision by the Joint Committee on Printing (JCP) that computer printers, if sufficiently fast, were also printing equipment and, therefore, had to be approved by the JCP. Since this same equipment is already subject to approval by the General Services Administration, in accordance with computer acquisition regulations, agencies are forced to obtain multiple approvals. This creates tremendous disincentives to the application of new technology. On the other hand, technology also eliminates the need to produce hard-copy documents. This creates new problems, including limiting the information to those who have access to the technology and increasing the probability that "copies" of the information will not be retained as records of government action.

A related problem is the current arbitrary distinction between the printing and distribution of information. Agencies are unable to take full advantage of the publishing marketplace, which is capable of providing both services. An incentive structure could be developed which would encourage agencies to allocate their information production and dissemination resources more efficiently. This is especially true if agencies were permitted to offer copyrights on their materials. One of the major disincentives to greater participation by the private sector in the dissemination of government information is the inability to control access to the information due to the lack of copyright. At the same time, if such an incentive system were adopted, it would have to ensure that citizens were not denied access to government information solely on economic grounds.

Federal Records Management - A similar opportunity for improved efficiency lies in the area of records management and access to government records. Historically, the National Archives and Records Service (NARS) has retained and managed records for Federal agencies at no cost to those agencies. Only recently has NARS begun to require limited reimbursement for storing active tax and social security records. It does not charge agencies for the remainder of the approximately 16 million cubic feet contained in Federal records centers or the more than 1.1 million cubic feet now being added annually.

The difficulty is that agencies perceive records management as a "free good" and have few incentives to ensure that only necessary records are stored. It would appear that an appropriately structured pricing system would ensure efficient decisions involving the transfer and storage of records. The current system does not encourage the application of technology to records management activities. New technology has made possible the transfer of information from paper to non-paper media. Although such a transfer frequently offers tremendous benefits, a long lead time and a significant capital investment are initially required. It is possible to develop an incentive structure, possibly using a pricing mechanism, which would permit the amortization of costs so the initial investment could be shared collectively.

An improved price system would not motivate the consideration of other benefits and costs associated with records storage. The external benefits of preserving records for future generations would be difficult to capture in any reasonably conceivable market-like system. Likewise, the external economies of common-user systems are often inadequately reflected in government decisions affecting the acquisition of new technologies. A similar problem is found in the acquisition of telecommunications services by the Federal government.

Federal Telecommunications Resources - Existing law provides that Federal telecommunications services are to be acquired on a centralized basis by the General Services Administration (GSA). However, the current system has evolved into a largely decentralized one in which agency program managers determine their own requirements under a liberal policy of agency delegations and exemptions from review procedures and regulations administered by GSA.

Under present arrangements, individual managers are acquiring advanced systems - for example, sophisticated voice-data systems that will replace the existing FTS - on what amounts to an individual transaction basis. These services conceivably might be provided more efficiently on a collective, common-user basis. However, the Federal government has no methodology, or "accounting" system, that requires program managers to consider the external costs that individual acquisition decisions may impose collectively on other agencies, particularly when the actual incidence of these external costs lies in the future. In such a situation, the Federal government would ideally attempt to confront any manager seeking to acquire communications services with not only the actual cost of the service but also the relevant opportunity cost. The latter could include not only the foregone quality-cost attributes of a superior common-user system for the individual user in the future (which the agency decision-maker would presumably take into account) but also the cost to other users who might, as a result of an individual acquisition action now, be forced into the collective acquisition of a service with inferior quality-cost attributes in the future.

Given OMB's responsibiliies for working with GSA to strengthen oversight in the acquisition area, including the development by April 1983 of a five-year plan for ADP and telecommunications acquisition, OMB has begun examining various ways of assuring that the relevant costs can be properly taken into account. One way is simply to prohibit certain acquisitions that appear to be uneconomical, from a government-wide standpoint, given the anticipated configuration of new voice-data telecommunications systems likely to replace the existing ones. A second way is to introduce gradually an internal price system that includes relevant opportunity costs. These internal prices or "penalty payments" could be initially determined by the central administrator of the system based on anticipated acquisition plans. In addition, the prices could be adjusted on a multi-year basis as part of the reimbursement process in the existing Federal telecommunications fund to reflect the actual cost of a future acquisition.

It is possible that, through such means, decisions on the acquisition of telecommunications as well as other common-user systems (i.e., data processing) could evolve into incentive-based decision systems that might include not only Federal participants but affected private parties as well.

More recently a class of incentive mechanisms has been developed in the economic literature suggesting, that even in the presence of external effects, decentralized systems can be designed that permit society to allocate public goods efficiently.6/ The Public Broadcasting System is one arena which has experimented with such a system.

PBS, a network of noncommercial television stations, introduced a decentralized market mechanism - called the Station Programming Cooperative (SPC) - to acquire nearly half the programs broadcast over the national network. The programs acquired through this process are discrete public goods in the sense that production costs and, to some extent, distribution costs are independent of the number of stations in the network that broadcast them. Experience with the SPC over the last eight years has led to interest in how it might be modified to ensure that the network of more than 100 station participants choose a programming mix that will maximize the collective welfare of the network and the consuming public.

The criteria for designing such a system include simplicity, understandability to the participants, and efficiency in decision-making. In particular, the system must recognize the potential incentive of participants to mis-reveal individual preferences in making decisions about a bundle of discrete public goods.7/

Under such a system, the agent could make an acquisition but the budget of the agency might be reduced by the opportunity cost to other agencies that are forced into an alternative, inferior system configuration. It has been demonstrated that such a principle will motivate accurate and unbiased revelation of truthful information about the net benefits of alternatives. In turn, the administrator of such a system could make decisions based on the willingness-to-pay of those affected by the decision and not on the basis of arbitrary benefit-cost measures. These incentive-based systems may also be useful in government decisions concerning the acquisition and management of other information technology.

Management of Information Technology - Since the mid-1960's the acquisition and management of Federal information technology has been governed by a highly centralized regulatory framework.

6/ Jerry Green and Jean-Jacques Laffont, Incentives in Public Decision-Making, Amsterdam: North Holland Published Co., 1979.

7/ John A. Ferejohn, Robert Forsythe, and Roger G. Noll, "Practical Aspects of the Construction of Decentralized Decision-Making Systems for Public Goods," in Clifford S. Russell (Ed.), Collective Decision Making: Applications from Public Choice Theory, Published for Resources for the Future, Johns Hopkins University Press, 1979.

There is ample evidence to suggest that it may be timely to substitute an incentive-based management system. There are several areas where such a system could be implemented. The first is in the acquisition process. As the first step in designing an incentive approach to common-user decision problems involving the acquisition of information processing capability, it is important to consider how the relevant benefit and cost information can be obtained from users outside the Federal government as well as suppliers of information services. During the next several years, for example, the Federal Aviation Administration will be planning a major multi-billion dollar replacement for the existing air traffic control system. It is possible that configuration system decisions might rely on information provided by the common users reflecting, in part, incentive-based collective decision procedures. Perhaps also suppliers should be permitted to provide information that reflects the opportunity costs to them of meeting certain types of functional specifications, particularly in system acquisitions primarily designed to serve users outside the Federal establishment.

Another area which deserves attention is the provision and management of information processing services by individual agencies. Many agencies operate one or more central data processing facilities to support agency programs. In almost every agency the program managers are required to use these facilities. This monopoly environment creates disincentives to efficient management. The facility manager has little incentive to optimize the allocation of resources since he has a captive audience. The program manager has little incentive, or leverage where the incentive may exist, to ensure that information processing resources are efficiently allocated since he cannot seek alternative sources of supply. OMB issued Circular No. A-121 to prescribe cost accounting methodologies which would encourage more efficient allocation of resources. However, as long as agency data processing facilities exist in this artificial environment, there is little incentive to implement the requirements of the circular. One way to establish incentives would be to permit agency program managers to obtain data processing support from any source of supply, therefore forcing the agency data processing manager to compete with the other sources.

Still another area where an incentive-based strategy may be appropriate involves Federal information processing standards. Specification and enforcement of information processing standards provide a particularly useful arena for employing incentives in conjunction with a basic regulatory approach to search for the most beneficial government-wide specifications. To date, a regulatory approach has largely failed to reveal functional specifications that satisfy a large number of common users in the government as well as the suppliers of information services.

Incentive approaches might point to new requirements or changes in existing requirements that increase net benefits in terms of potential common user savings.

The explicit efficiency and economy goals of the Act provide an excellent framework for pursuing an incentive-based approach to the management of information resources. Indeed, the existence of new based mechanisms has increased the potential for employing market-like systems to achieve efficient management of information resources, particularly in resolving difficult common-user externality problems. Thus, incentive-based management techniques will permit the Federal government to move from information technologies built largely around paper transactions to new technologies using the computer and communications from the point of transmission to eventual storage at the end of the cycle.

Public and Private Incentives for Paperwork Reduction - These incentive-based management techniques will also allow interdependencies in the cost of providing information to the Federal government to be better reflected in an "accounting" system that would motivate both government and private users to make socially efficient investment decisions. While there is often considerable incentive for agencies to economize on the costs to them through automated reporting (i.e., reduced costs of surveillance), there may be a lesser incentive to economize on costs to private respondents or to achieve joint public/private savings available through automated and compatible public/private technologies. One way to establish such an incentive would be to confront agencies with the "opportunity cost" of specific information requirements that prevent data from being collected and used by the Federal government in more efficient ways.

In the further development of such incentive-based strategies, it is possible to envision a decision-making approach that would allow groups of respondents to assist in the specification of more efficient system alternatives and configurations. The more efficient alternatives would reduce the collective cost of providing data as well as motivate Federal and other users to take into account reductions (or private sector opportunity costs) in reporting requirements and functional specifications of data processing systems.

Implementation of incentive-based approaches to the reduction of paperwork should consider not only the effective supply and use of technology but also strategies that would reduce the demand for information.

GOVERNMENT REGULATION OF INFORMATION PROVISION: In addition to its role as direct provider and disseminator of information, the Federal government plays a major role in controlling the allocation and availability of information goods and services through its regulation of the information marketplace. The communications arena is the most prominent example of information regulation, where the government both provides information services (i.e., postal services) and restricts the entry of other organizations into the market. The Federal government is also playing an important regulatory role in the international arena, especially through restrictions on the flow of certain information technology. Finally, the Federal government has increasingly shifted from direct provision and subsidization of information activities toward requiring or mandating the provision of information by non-Federal entities. In some cases, these informational requirements have contributed to socially efficient regulation while in other cases the result has been inefficient regulation and wasteful consumption of real resources in the preparation of often useless reports and needless Federal paperwork.

A well-known example has been the Environmental Impact Statement (EIS). Originally instituted to assist in making environmental decisions, the EIS process is illustrative of Federal regulatory strategies which ignore the use of information in decision-making as well as incentives which motivate decision-makers to inform themselves and each other. The EIS process has, in fact, been described as one in which judicial and legislative remedies to a public-goods supply problem (i.e., the lack of sufficient information about localized environmental impacts) led to a considerable "information overload."

Another difficulty with this type of Federal intervention strategy is that it

> require(s) someone to guess what someone else would find useful to know...it's hard enough for an information user to obtain the infomation he should; for someone else to anticipate his needs and those of other differentially situated parties with different interests is simply hopeless. The only chance an agency has to supply what the various interested parties care to know is to supply everything it can, but the result will provide too much information for any but the most profoundly affected party, and will hence not be worth the minimal investment of effort required to get anything out of it.[8]

The failure of public-goods information provision strategies has led to Federal efforts to design incentive-based regulatory information strategies that would strengthen individual initiative in the achievement of economic and social goals. These strategies permit "market forces to determine the exact form of information provision," relying on consumer sovereignty

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8/ Michael O'Hare, "Improving the Use of Information in Environmental Decision-Making," Environmental Impact Assessment Review, September 1980.

and seller incentives to achieve regulatory goals rather than trying to specify with precision how the marketplace should operate.9/

Where the basic source of the market failure is one of inadequate consumer information, these strategies will leave consumers free to make their own choices and leave the market free to respond as consumer preferences and production technologies change over time. "In short, information remedies allow consumers to protect themselves according to personal preferences rather than place on regulators the difficult tasks of compromising diverse preferences with a common standard" and imposing a single choice on all consumers.10/ One of the important by-products of such strategies can be to stimulate private initiative and competition in the provision of information about diverse product attributes.

Incentive-based information strategies could also help to achieve sharp reductions in the internal information needs of Federal agencies while improving the informational efficiency of government regulations and programs. Appropriate incentives would encourage agencies to look broadly at ways of reducing the "life cycle" cost of managing information if the Federal government could rely on the most efficient means, public or private, for handling information over the life cycle.

Taken together with regulatory information strategies described earlier, these incentives could reduce the burden of Federal paperwork and achieve the productivity increases in Federal and private operations envisioned by the drafters of the Act. In particular, public and private incentives can drive new technologies in a way that could eventually achieve order-of-magnitude reductions in Federal paperwork.

9/ Michael Mazis, Richard Stalin, Howard Beales, and Steven Salop, "A Framework for Evaluating Consumer Information Regulation," Journal of Marketing, Winter 1981.

10/ Howard Beales, Richard Craswell, and Steven Salop, "The Efficient Regulation of Consumer Information," Journal of Law and Economics, December 1981.

APPENDIX 1

DUPLICATIVE INFORMATION COLLECTIONS

Agency and Identification of Duplicative Collection	Proposed Responses	Proposed Burden Hours	What Information Collection Was to Be Duplicated	What Action Was Taken
Department of Health and Human Services				
Hospital Institutional Planning Report	6,650	3,325	This collection would have duplicated information already being collected by the Joint Commission on Accreditation of Hospitals. Most of the information is already collected by JCAH during the medicare certification survey process.	The proposed collection was disapproved. The information collected by the Joint Commission on Accreditation of Hospitals covers the 5,000 hospitals participating in the JCAH program. For remaining hospitals, most of the information is collected during the medicare certification survey process.
Department of Housing and Urban Development				
Recipient Employment	1,560	11,700	This information collection would have substantially duplicated data now collected by the Equal Employment Opportunity Commission on its State and local government information form (EEO-4).	The proposed extension of the HUD form was disapproved. HUD was directed to obtain the data from the EEOC instead of from the State and local governments. EEOC agreed to facilitate and ensure the availability of their data for HUD.

Agency and Identification of Duplicative Collection	Proposed		What Information Collection Was to Be Duplicated	What Action Was Taken
	Responses	Burden Hours		
Department of Labor				
Survey of National Apprenticeship Programs	89,000	26,166	This collection duplicates information collected by the Equal Employment Opportunity Commission on apprentices.	The Department was informed that hours were not included in the FY 1982 Information Collection Budget for this activity and that the Department should use the data already collected by EEOC for its program needs.
Department of Transportation				
Uniform Manifest for Hazardous Wastes	No substantial change in burden.		Currently, individual States have different requirements for what information must be on a manifest form accompanying hazardous wastes. While much of the information is the same, because the requirements differ, carriers must have with them copies of all the different manifests for the States they must pass through.	DOT, EPA, and representatives of States and industry met to devise a uniform manifest. OMB recently reviewed proposed manifest and approved it. One form will thus substitute for the duplicative State forms.
Maritime Administration Affidavit of U.S. Citizenship	500	2,500	This form duplicates information contained in other DOT forms titled Declaration of U.S. Citizenship. The forms involve certification by the applicant that he or his firm meets the citizenship criteria of the Shipping Act of 1916.	The form was given a short term clearance to allow MARAD time to modify the forms and uses to eliminate the duplication.

Agency and Identification of Duplicative Collection	Proposed Responses	Proposed Burden Hours	What Information Collection Was to Be Duplicated	What Action Was Taken
Department of the Treasury				
Volunteer Training Evaluation; Tax Counseling for the Elderly Volunteer Training Evaluation (submitted as two forms)	10,295	1,201	Two separate forms were submitted simultaneously for evaluating the effectiveness of IRS training material and instruction. Some questions on each form were identical.	The proposed collection was disapproved. IRS was advised to combine the forms.
Recruit Information Record	2,000	60	This collection would have duplicated information required by an applicant on an SF 171.	The proposed collection was disapproved since it served no practical utility.
Personnel Processing Master Form	20,000	20,000	This collection would have duplicated information already provided by an applicant.	The proposed collection was disapproved. Any resubmission would have to demonstrate that the data could be used in a meaningful way.
Understanding Taxes - Film Schedule Letter	600	90	This collection would have been a duplication of effort at the IRS District level.	The proposed collection was disapproved.
Understanding Taxes - Forms Request	300	45	This regional collection would have duplicated questions asked on a national form.	The proposed collection was disapproved. IRS Form 1742, Order Form for Understanding Taxes Material, addresses the requirements of the proposed form.

Agency and Identification of Duplicative Collection	Proposed Responses	Proposed Burden Hours	What Information Collection Was to Be Duplicated	What Action Was Taken
Department of Transportation and Interstate Commerce Commission				
Federal Highway Administration Endorsement and Surety Bond Forms MCS-90, MCS-82 Interstate Commerce Commission Endorsement and Surety Bond Forms BMC 90, BMC 82	No substantial change in burden.		The Motor Carrier Act of 1980 requires DOT to set minimum levels of financial responsibility for motor carriers. ICC also must collect this information in order to issue operating authority to carriers. The two sets of forms were virtually identical and act simply as proof that a carrier does in fact have the minimum insurance coverage required by law.	After numerous meetings, ICC agreed to use the DOT form. Each agency now uses the same form for its own purposes.
Environmental Protection Agency				
Tampering and Fuel Use Surveys	Unknown	406	These two surveys would have involved collecting information on the use of leaded fuel in catalyst-equipped vehicles and the incidence of tampering with control devices, both of which undermine compliance with motor vehicle emission standards. The two surveys were highly duplicative of each other, and also overlapped with several other information collections administered by EPA.	OMB disapproved both surveys.

Agency and Identification of Duplicative Collection	Proposed		What Information Collection Was to Be Duplicated	What Action Was Taken
	Responses	Burden Hours		
Environmental Protection Agency (continued)				
Fuel and Fuel Additives Manufacturers Annual and Quarterly Reports	Unknown	63,626	The quarterly and annual reports would have served to update information collected in one-time-only Fuel and Fuel Additive Notifications. A change in the reported information would have to be brought to EPA separately, in order to determine whether fuel reregistration was necessary. Therefore, EPA already had access to this information.	The quarterly and annual reports were disapproved by OMB, and were subsequently dropped from EPA's FY 1982 Information Collection Budget in response to OMB's passback.
Vinyl Chloride Manual Valve Discharge and Relief Valve Discharge Reports and Records	Unknown	464	The information collection would have required immediate reporting of accidental discharges of vinyl chloride from manual valves and relief valves of vinyl chloride plants. EPA collected the same information in its semi-annual reports on vinyl chloride emissions and did not make any use of the valve discharge reports that justified a separate information collection.	The information collection was disapproved by OMB. EPA has agreed to rely on information gathered in the semi-annual reports.

Agency and Identification of Duplicative Collection	Proposed Responses	Proposed Burden Hours	What Information Collection Was to Be Duplicated	What Action Was Taken
Federal Communications Commission				
Equal Employment Opportunity Guidelines and Model Program	800	2,400	This collection was largely duplicative of the data collected by the Annual Employment Report (FCC 395) and therefore placed an unnecessary burden on respondents.	The existing collection activity was disapproved and the FCC was given until March 1982 to make changes in the reporting requirements. OMB will give consideration to use of a modified EEO guidelines and model program for investigation of specific licensees following analysis of the annual Employment Report.
Tennessee Valley Authority				
Farmer Questionnaire Vicinity of Nuclear Power Plants	1,200	1,200	After the Three Mile Island incident, USDA conducted similar nuclear exposure studies that touched upon hazards met through the food chain.	The proposed collection was disapproved. TVA was advised to contact the Department of Agriculture to identify these studies and determine whether they would meet TVA's needs.

Agency and Identification of Duplicative Collection	Proposed Responses	Proposed Burden Hours	What Information Collection Was to Be Duplicated	What Action Was Taken
Veterans Administration				
Home Counseling Analysis	4,000	2,000	This information collection would have duplicated the financial data collected from veterans applying for VA homeownership benefits.	The collection was disapproved and the VA advised to utilize the data collected during the loan application process.
POW Medical Follow-up	3,300	1,100	This information collection would have duplicated the medical data collected from POWs as they apply for medical benefits.	The proposed collection was disapproved and the VA advised to obtain the information from medical files.

APPENDIX 2

VIOLATIONS

Agency and Identification of Paperwork Violation	How Was the Violation Discovered	How Did We Notify the Agency	What Did the Agency Do and What Documentation Do We Have on this Action
Department of Health and Human Services			
Health Care Financing Administration			
Regional Office Data Collection	A representative of a state agency called OMB to complain about a Region VII data collection request.	OMB telephoned and asked HHS/OS to investigate this issue and to instruct the regional office to refrain from collecting the data.	The agency determined that a violation had occurred. Region VII notified the four states in its region that it was withdrawing its data collection request.
Altered Intermediary Worksheet	An officer in a hospital in Indiana wrote OMB that an intermediary had altered an OMB approved form.	OMB telephoned HCFA, requesting that the agency investigate the issue and take corrective action as appropriate.	The agency determined that the intermediary had, in fact, altered the form. HCFA instructed its intermediary to stop utilizing the altered form. Since the use of the altered form had resulted in a reduction in the amount of reimbursement the hospital received, the hospital was permitted to resubmit claims for the withheld amount.
Cat Scan Information Reporting Form	Congresswoman Bouquard's office notified OMB that reporting requirements imposed by an intermediary were burdensome.	OMB telephoned HCFA, requesting that the agency investigate the issue and take corrective action as appropriate.	The agency determined that the reporting requirement cited had not been cleared by OMB. In addition, the agency found that the reporting requirement was unnecessary and instructed its intermediaries to stop utilizing the requirement.

Agency and Identification of Paperwork Violation	How Was the Violation Discovered	How Did We Notify the Agency	What Did the Agency Do and What Documentation Do We Have on this Action
Department of Health and Human Services (continued)			
Cat Scan Information Reporting Form	A representative of a trade organization wrote to OMB complaining about an unnecessarily burdensome reporting requirement.	OMB telephoned and asked that HCFA investigate the issue.	The agency determined that the requirement was the same as a reporting requirement which had been identified as unnecessary and had been eliminated. HCFA notified the intermediary and the hospital that the requirement had been eliminated.
Department of Labor			
Unapproved Supplemental Form for Optional Use with the Alien Employment Certification Application	The violation was reported to OMB by an employer's attorney.	OMB notified the Department of the violation by phone.	A TWX was sent to the Atlanta Regional Administrator directing him to rescind the form immediately and to notify States that employers were not to be permitted to use the form even on an optional basis. The Regional Administrator was requested to send the ETA national office a copy of the regional notification to the States. A copy of ETA's TWX to Region IV and a copy of Region IV's TWX to their States was provided to OMB.

Agency and Identification of Paperwork Violation	How Was the Violation Discovered	How Did We Notify the Agency	What Did the Agency Do and What Documentation Do We Have on this Action
Department of Labor (continued)			
Unapproved UI Cost Analysis State Automation Questionnaire developed by a contractor under contract to the Utah State agency. Information collected in part for use by the Department's Employment and Training Administrator	The violation was reported to OMB by a State official.	OMB notified the Department of the violation by memorandum.	The Department contacted the Utah State agency and was informed that all States had already returned the questionnaire, a one-time survey. A memorandum was sent to the State Administrator informing him of the violation, and directing that steps be taken to ensure that appropriate paperwork clearance procedures be followed in the future. A copy of the memorandum was provided to OMB.

APPENDIX 3

SPECIAL PAPERWORK REVIEW INITIATIVES

Department of Agriculture

Food Stamp Household Certification

Issues:

USDA requires State and local governments to collect and verify information on household income, assets, and automobile ownership on Food Stamp application forms. These data are verified by contacting employers and rental agents. These data are used to determine which households are eligible for Food Stamps and to detect and prevent fraud and abuse. Collection, verification, use, and maintenance of these records is exceptionally burdensome to applicants and State and local governments.

Action:

The Food and Nutrition Service has revised the model forms package according to the Budget Reconciliation Act and has replaced four forms with one consolidated form, eliminating 1.8 million hours of burden.

National School Lunch Program

Issues:

States, local governments, and school districts are required to prepare and maintain records on all breakfasts, lunches, snacks, and suppers served to children benefiting from the School Lunch Program. For example, the school cook has to estimate for each meal how much flour and yeast are used in bread for children's breakfasts, faculty lunches, and snacks. The cost of a single batch of bread must be distributed among classes of meals, so that the appropriate Federal reimbursement can be calculated. The information is also used to ensure that meals served meet nutritional requirements. These recordkeeping and monthly reporting requirements impose a great burden on the school systems.

Action:

The Food and Nutrition Service has already reduced the burden with an emergency regulation implementing the Budget Reconciliation Act, eliminating 1.4 million burden hours. It plans to propose another rule restructuring financial management regulatory requirements in March of 1982, and have it published in final form in July of 1982 (becoming effective in August of 1982).

Department of Housing and Urban Development

RESPA Paperwork

Issues:

Like many other "disclosure" statutes, the Real Estate Settlement Procedures Act (RESPA) has created a mountain of paperwork, much of it of questionable benefit. While the aim of the Act is to make homeowners more aware of settlement costs, HUD has recently finished a report that concludes that RESPA has been only of marginal benefit and that it prohibits practices as "anticompetitive" that could instead promote competition.

Action:

Some of the needed reforms, including reduction in paperwork requirements, may require legislation. A work plan is due by April of 1982.

Departments of Labor and Treasury

ERISA Paperwork

Issues:

The Employee Retirement Income Security Act of 1974 (ERISA) covers over 560,000 pension plans with more than 50 million participants and over $330 billion in assets. The Act contains important provisions safeguarding the integrity of these plans. Unfortunately, it has also spawned an extremely complex regulatory system that has stifled pension growth. According to several Congressional studies, the onerous paperwork requirements and other complexities in the ERISA regulatory program have discouraged the formation of new plans and contributed to the termination of existing plans. These studies show that the adverse impact of ERISA has fallen most heavily on small business plans.

Action:

As part of this effort, the Department of Labor has announced the beginning of a comprehensive reassessment of ERISA regulations that have proven needlessly burdensome to small businesses and to pension plans generally.

In coordination with the Department of Labor's review of ERISA regulations, the Department of the Treasury has begun a deregulatory effort to make it easier for small businesses to comply with ERISA without reducing the Internal Revenue Service's ability to enforce the tax provisions applicable to qualified plans. This effort should result in administrative relief as well as some recommendations for legislative change.

Department of Transportation

Local Transportation Grant Forms

Issues:

Before giving a grant, the Urban Mass Transportation Administration requires local transportation systems to fill out numerous application forms. These include a general application form, a budget information form which has no relevance for requests for operating grants, a second budget form, a maintenance of effort schedule, and a description of the transit system, as well as a variety of forms regarding the applicant's compliance with such requirements as EEO, schoolbus/charter bus regulations, implementing regulations of Title VI, and others. If a single transit system wishes to apply for both operating and capital grants, it must fill out application materials for each request, even though much of the information is duplicated.

Action:

UMTA has initiated a number of actions to review and modify its transportation grant forms. An UMTA/Federal Highway Administration task force is reviewing the transportation planning process. An NPRM was published in December 1981, and a final report and implementation package are to be completed by April 1982. Section 5 guidance has been substantially modified and Federal mandates in the Section 3 discretionary grant program have been reviewed and numerous changes made. By April 1982, UMTA will consolidate these changes, and report to OMB the extent of the resulting burden reduction.

Cultural Resources

Issues:

Recipients of Federal Highway Administration construction grants are required to weigh the effects of the project on cultural resources such as parks, recreational areas, wildlife refuges, and historic sites. Even if a highway project affects only a small piece of parkland (as, for example, improving an existing entrance into a park), a detailed evaluation must be completed and approved by the Secretary of Transportation. When historic sites are involved, a DOT analysis is required, as well as a separate analysis for the Advisory Council on Historic Preservation. These requirements increase the costs of highway construction as well as impose a significant paperwork burden on FHWA grant recipients.

Action:

DOT will propose amending the DOT Act and Federal Highway Act to eliminate the requirement for a detailed evaluation when it is determined that the project will not appreciably reduce the utility of the site as a park, recreation area, or wildlife refuge. Also, DOT will propose eliminating the need for such an evaluation for historic sites, which are protected by regulations of the Advisory Council on Historic Preservation.

Guide to Reporting Highway Statistics

Issues:

This FHWA guide compiles data collected from States on motor fuel usage, motor vehicle registration and drivers' licenses, revenues and fees from gas taxes and licensing, and use of highway funds received from Federal, State, and local sources. This information is collected on over a dozen different forms and duplicates data which is collected by States.

Action:

FHWA is reviewing and updating data requirements in the guide, which will be resubmitted for OMB review by April 1982. FHWA is also considering whether data from the U.S. Census can be used in lieu of data now being collected from State and local governments.

The Driver's Log and Daily Inspection and Maintenance Reports

Issues:

Truck drivers are required by Federal Highway Administration regulations to keep a daily log of their working hours. These records are used by FHWA to enforce its rules regulating the number of hours that truckers are allowed to drive. Drivers must keep their logs for 30 days, while carriers must file copies of the form for each driver for at least one year--160 million forms in all. The total burden of the log on drivers and trucking companies is over 30 million hours every year. Truck drivers are also required to complete inspection reports on their vehicles at the end of each working day.

Trucking companies maintain these reports and keep records of maintenance performed on their vehicles. These recordkeeping requirements are part of rules which are intended to ensure that heavy trucks are in safe operating condition. The paperwork burden imposed by these requirements is 29 million hours annually.

Action:

DOT has begun a rulemaking to review less prescriptive approaches to the Driver's Log that would reduce its burden while meeting highway safety objectives. An NPRM published February 22, 1982 proposes an alternative to the present system; a final rule is anticipated by summer 1982.

In addition, the inspection report needs to be reviewed to ensure that trucks are properly maintained while minimizing paperwork burdens on truckers and trucking companies. DOT hopes to publish an NPRM proposing modifications to the rules in spring 1982.

Consumer Product Safety Commission

Standard for the Flammability of Clothing Textiles

Issues:

To support the guarantee that a fabric meets Federal flammability requirements, CPSC requires textile manufacturers to keep records for three years detailing the results of flammability tests. In addition, information regarding the flammability of imported cloth and garments is required. The need for such extensive recordkeeping requirements does not appear to be justified in terms of the injuries prevented by the program. In addition, these textile flammability standards and associated paperwork requirements cost small businesses and consumers millions of dollars per year.

Action:

The CPSC is considering changing its enforcement policy to allow the use of alternate test apparatus. This change will substantially reduce testing and recordkeeping burden. The Commission's decision is scheduled for late April of 1982.

Federal Energy Regulatory Commission

Retail Electric Cost of Service Report under PURPA

Issues:

- Section 133 of the Public Utility Regulatory Policies Act requires the Federal Energy Regulatory Commission to collect information from electric utilities concerning their determination of the costs associated with providing electric service. The statute requires this reporting of costs to be broken down into the costs of serving each electric consumer class, consumption patterns within these classes, and kilowatt demand loads for each class charged different rates. These statutory requirements are implemented through 21 pages of printed regulations and nine pages of optional formats. The review should examine ways to minimize this reporting burden given the potential utility and need for the information.

Action:

FERC published a Notice of Inquiry on February 5, 1982 soliciting comments on methods available to reduce burden. FERC will consider further options and actions after all comments have been received.

Federal Trade Commission

Premerger Notification Rules and Report

Issues:

The report requires companies that are merging to notify the FTC and the Department of Justice of that intent and to provide extensive company data concerning the proposed merger. The report is required by statute, but the 112 pages of printed regulations and forms require a vast amount of information concerning voting securities, revenues, shareholdings, and corporate structure. The FTC is in the process of making extensive revisions in response to industry complaints about the length of the form and duplication with data collected by the Securities and Exchange Commission.

Action:

OMB cleared a revised form for one year in December 1981, which contains a 7 percent reduction in burden (5,060 hours).

FTC will identify additional ways to reduce the burden through proposed rule changes (NPRM published July 29, 1981), statistical analysis of 1981 filings (to be completed by summer 1982), public comment on results of statistical analysis (to be completed by September 1982), a compliance handbook (to be completed December 1982), and continued coordination with the Department of Justice Antitrust Division.

Nuclear Regulatory Commission

Domestic Licensing of Nuclear Production and Utilization Facilities

Issues:

The regulations for licensing commerical nuclear powerplants set forth the content of plant construction permits and operating licenses. NRC estimates that the reporting, recordkeeping, and application requirements in the regulations cost industry $232 million annually.

Action:

NRC has established the Committee to Review Generic Requirements, headed by a Deputy Executive Director. This Committee has established and is implementing procedures to review and evaluate the need for recordkeeping and reporting proposed by NRC components.

The NRC is upgrading the Agency Value Impact Guidelines to implement the principles of E.O. 12291 (Federal Regulation), is beginning a systematic review of existing regulations, and is undertaking specific reviews to reduce the burden of recordkeeping and to control information collections.

APPENDIX 4

ILLUSTRATIVE LEGISLATIVE IMPEDIMENTS TO BURDEN REDUCTION

Agency: Department of Agriculture
Food and Nutrition Service

Short title of statute: Child Nutrition Act of 1966

Citation: 42 U.S.C. 1773, as amended by P.L. 97-35

Section requiring paperwork: Section 4(d)

Description of requirement:

Short title: Severe-Need Schools in the School Breakfast Program

Summary: Provides for extra Federal assistance to schools in the School Breakfast Program (SBP), if they have been determined to be in severe need. To qualify for such a determination, a school must meet one of the following criteria: (1) the school must serve breakfast under State law; or (2) the school serves a significant proportion of its meals free or at reduced price, and the regular SBP per meal reimbursement rates do not cover the cost of operating the SBP. This provision authorizes higher rates of reimbursement for breakfasts served in severe-need schools than for those not classified as being in severe need.

Reason for change: The legislation in effect prior to the enactment of P.L. 97-35 prescribed reimbursement payments for both breakfasts served under the SBP and lunches served under the National School Lunch Program (NSLP) at per-meal rates established by USDA or at per-meal cost, whichever was the lesser. This formula necessitated the collection not only of the number of reimbursable lunches and breakfasts served in participating schools but also information on the cost of producing them. The maintenance of records to generate such information imposed major paperwork burdens on local officials. To provide relief, P.L. 97-35 deleted from the NSLP and SBP all cost accounting requirements except those pertaining to severe-need breakfasts. Thus, school food authorities of severe-need schools must still document the cost for serving breakfasts in severe need schools and report breakfasts served in such schools separately from those served in "non-needy" schools.

Type of change needed to achieve burden reduction: Repeal Section 4(d) requirement by adopting the General Nutrition Assistance Grant, as proposed by the administration in the FY 1983 Budget.

	Current	Estimated savings if statute is changed
Annual Responses	3,795,206	3,795,206
Annual Burden Hours	1,437,571	1,437,571

Agency:	Department of Education
Short title of statute:	Vocational Education Act of 1963
Citation:	20 U.S.C. 2391
Section requiring paperwork:	Section 161

Description of requirement:

Short title: Vocational Education Data System

Summary: "The Commissioner shall...jointly develop information elements and uniform definitions for a national vocational education data reporting and accounting data."

Reason for change: This statutory requirement was established in 1976 to provide information under a statute that is highly prescriptive in the requirements attached to Federal support for vocational education. The entire statute is under review as part of an effort to consolidate and streamline Federal vocational education activities.

Type of change needed to achieve burden reduction: The Department is reviewing the entire statute and will propose changes that could achieve the spirit and intent of the law while decreasing burden on recipients.

	Current	Estimated savings if statute is changed
Annual Responses	75,000	75,000
Annual Burden Hours	100,000	100,000

Agency: Department of Energy

Short title of statute: National Energy Conservation Policy Act

Citation: P.L. 95-619

Section requiring paperwork: Section 461(c), which amends P.L. 94-163 by establishing Section 374(A)(e)

Description of requirement:

Short title: Industrial Recovered Materials Energy Efficiency Report

Summary: Corporations report to DOE annually on the volume of energy-saving recovered materials that corporation uses in its manufacturing operations. In addition, progress made by the corporation to increase its utilization of recovered materials against targets set for industries involved (metals, paper, rubber, and textiles) is included in the report.

Reason for change: Improving industrial energy efficiencies is best left to private industry. As a result the DOE program responsible for collecting these data has been proposed for discontinuation in FY 1983.

Type of change needed to achieve burden reduction: Repeal Section 374(A)(e) under Section 461 in P.L. 95-619

	Current	Estimated savings if statute is changed
Annual Responses	160	160
Annual Burden Hours	100,000	100,000

Agency:	Department of Energy
Short title of statute:	Public Utility Regulatory Policies Act of 1978 (PURPA)
Citation:	P.L. 95-617
Section requiring paperwork:	Sections 102(c), 116, 133, 301(d), and 309

Description of requirement:

Short title:	Annual Report on Electric and Gas Utilities Retail Electric Cost of Service Report under PURPA

Summary: Requires the Secretary of Energy to publish an annual list of each electric and natural gas utility to which PURPA applies. In addition, each State regulatory authority is to file an annual report with the Secretary indicating the status of its consideration, as required by PURPA, of certain ratemaking and regulatory standards. The Secretary is to submit to the President and Congress annual summaries and an analysis of these State reports, a description of the Secretary's actions regarding electric and gas utilities, and the Secretary's recommendations for any further Federal actions in this area. Section 133 obligates the Federal Energy Regulatory Commission to collect equivalent information from electric utilities. The Department of Energy has other, more flexible authority, under its organic statutes, to monitor the implementation of PURPA.

Reason for change: Elimination of sections would remove a layer of unnecessary regulation and reporting placed on State agencies and individual electric utilities.

Type of change needed to achieve burden reduction: Repeal these sections.

	Current	Estimated savings if statute is changed
Annual Responses	317	317
Annual Burden Hours	628,640	628,640

Agency: Department of Energy

Short title of statute: Energy Policy and Conservation Act

Citation: 42 U.S.C. 6201, P.L. 94-163, as amended by the National Energy Conservation Policy Act, P.L. 95-619, Section 601.

Section requiring paperwork: Sections 373 and 375

Description of requirement:

Short title: Industrial Energy Efficiency Report

Summary: Identifies corporations which consume at least one trillion BTU's of energy each year. In addition, the corporation reports to DOE annually on the progress it has made in improving energy efficiency against targets set for each applicable industry under the corporation.

Reason for change: Improving industrial energy efficiencies is best left to private industry. As a result, the DOE program responsible for collecting this data has been proposed for discontinuation in FY 1983.

Type of change needed to achieve burden reduction: Repeal Sections 373 and 375 as amended by P.L. 95-619, Section 601.

	Current	Estimated savings if statute is changed
Annaul Responses	15,296	15,196
Annual Burden Hours	326,944	326,944

Agency:	Department of Energy
Short title of statute:	Department of Energy Organization Act
Citation:	P.L. 95-91
Section requiring paperwork:	Section 205(h)

Description of requirement:

Short title: Energy Company Financial Reporting System

Summary: Mandates establishment and maintenance of a Financial Reporting System containing detailed information on the structure of the energy industry.

Reason for change: Information from sources within and outside of government is available to meet the need for these data.

Type of change needed to achieve burden reduction: Repeal the Section.

	Current	Estimated savings if statute is changed
Annual Responses	27	27
Annual Burden Hours	122,904	122,904

Agency:	Department of Housing and Urban Development
Short title of statute:	Real Estate Settlement Procedures Act (RESPA)
Citation:	12 U.S.C. 2601 et. seq.
Section requiring paperwork:	Section 4

Description of requirement:

Short title:	Settlement Statement HUD-1

Summary: Directs the Secretary of Housing and Urban Development to prescribe a standard form for the statement of settlement costs in Federally related mortgage transactions.

Reason for change: This statutory requirement is imposed on business and prescribes the information that must be disclosed regarding settlement and closing costs to homebuyers. A recently released report by the Department of Housing and Urban Development has raised fundamental questions regarding the benefits to homebuyers of the various regulatory and paperwork burdens imposed by the statute.

Type of change needed to achieve burden reduction: Repeal or possible revision of RESPA could result in both less regulatory burden and federally prescribed paperwork.

	Current	Estimated savings if statute is changed
Annual Responses	2,000,000	up to 2,000,000
Annual Burden Hours	2,000,000	up to 2,000,000

Agency:	Department of Labor
Short title of statute:	Employee Retirement Income Security Act of 1974 (ERISA)
Citation:	P.L. 93-406
Section requiring paperwork:	Section 102

Description of requirement:

Short title: Summary Plan Description

Summary: Requires all employee plan administrators to file a copy of their summary plan description with the Department of Labor and copies of modifications with changes.

Reason for change: This statutory requirement was imposed with the expectation that having a public file of these materials would aid plan participants and allow their beneficiaries to obtain information about their rights and obligations under the plan without having to ask employers. Relatively few plan participants or beneficiaries use the files for this purpose (fewer than 1,000 last year). Due to the volume of plans and changes to plans, it is difficult to make sure files are complete and current. In some cases individuals cannot be certain that they have even researched the proper plan because of mergers, changes in plan names, etc.

In FY 1982, the Department will make an administrative change that will reduce the FY 1982 reporting burden imposed by this requirement. Permanent burden reduction, however, will require a legislative change.

Type of change needed to achieve burden reduction: The Department is reviewing the entire statute and considering changes that could achieve the spirit and intent of the law while decreasing the burden on the public, providing flexibility for small plans, and simplifying the Department's administration of the law. The Department will consider proposing changes with these objectives in mind after it has completed its review and analysis.

	Current	Estimated savings if statute is changed
Annual Responses	600,000	600,000
Annual Burden Hours	36,600,000	36,600,000

Agency:	**Federal Communications Commission**
Short title of statute:	**Communications Act of 1934**
Citation:	**47 U.S.C. 301**
Section requiring paperwork:	**Section 301**

Description of requirement:

Short title: General Licensing Requirement

Summary: Requires all persons who wish "to use or operate any apparatus for the transmission of energy or communications or signals by radio" to obtain a license from the Commission.

Reason for change: the major purpose of this amendment is to give the Commission the option of relaxing or virtually eliminating its regulation of operators in the Radio Control and Citizens Band Radio Services. With respect to Citizens Band, licenses are available to virtually anyone who makes such a request. These licenses do not grant any special spectrum privileges, meaning that all 14 million CB licenses may use any of the 40 channels allocated to that service. These same considerations apply to the Radio Control Service.

Thus, the current licensing burdens imposed on the applicants and the Commission appear to be unwarranted. This statutory option would allow the Commission to eliminate these burdens, including the paperwork burden of submitting and processing license application forms, maintaining automated records of licenses, and microfiche records for enforcement purposes. The clerical function of processing these applications costs the Commission about $400,000 a year.

Type of change needed to achieve burden reduction: Amend 301.

	Current	Estimated savings if statute is changed
Annual Responses	1,500,000	1,500,000
Annual Burden Hours	75,000	75,000

[redacted]

Agency:	Federal Reserve Board Federal Deposit Insurance Corporation Comptroller of the Currency (Department of the Treasury)
Short title of statute:	Financial Institutions Regulatory and Interest Rate Control Act of 1978
Citation:	P.L. 95-630
Section requiring paperwork:	Titles VIII and IX

Description of requirement:

Summary: Prohibits banks which maintain correspondent accounts for other banks from providing preferential loans to certain bank insiders such as executive officers, principal shareholders, and their interests. Insiders must report to their boards of directors the loans they have outstanding with correspondent banks. Banks must compile these reports and forward them to the appropriate bank supervisory agency. Banks are also required to disclose annually the names of each stockholder who controls more than 10 percent of any class of voting securities.

Reason for change: After completing two reporting periods, it has become apparent that the reporting system has limited usefulness for supervisory purposes. The complexities of the reporting system have created a heavy compliance burden on the banks. The bank supervisory agencies think that the regular bank examination process is a more efficient method of monitoring potential insider abuses. There also has been little public interest in the disclosure forms as they do not reveal insider abuse. The disclosure only lists total amounts of indebtedness and does not provide preferential rates and terms of specific loans.

Type of change needed to achieve burden reduction: Amend Titles VIII and IX to eliminate specific statutory reporting requirements.

	Current	Estimated savings if statute is changed
Annual Responses	102,178	102,178
Annual Burden Hours	443,835	443,835

Agency:	Federal Reserve Board Comptroller of the Currency National Credit Union Administration Federal Home Loan Bank Board Federal Deposit Insurance Corporation
Short title of statute:	Home Mortgage Disclosure Act of 1975
Citation:	12 U.S.C. 2801-2811; 89 Stat. 1125; P.L. 94-200, Title III
Section requiring paperwork:	Section 305

Description of requirement:

Short title: Mortgage Loan Disclosure Statement

Summary: State Member Banks subject to the Act annually disclose by census tract or county residential mortgage loans that they originated or purchased. Disclosures are publicly available at the bank for five years and at the SMSA central data repository. Government officials, examiners, and the public use the disclosure to determine lending patterns in home financing and to detect discrimination among other things.

Reason for change: A FHLBB/FDIC study of the Act found that the costs of compliance fall disproportionately on those lenders that have a small number of mortgage loans. An exemption standard has been proposed that would require a lender to report only if it has a home loan portfolio of more than $10 million or extends 200 or more home loans in a calendar year. The result would be a substantial reduction in the number of institutions required to report under the Act.

Type of change needed to achieve burden reduction: Modification of the Act to raise the reporting exemption levels so that smaller-sized reporting institutions are exempt, thus resulting in a reduction in burden associated with the number of responses.

	Current	Estimated savings if statute is changed
Annual Responses	8,874	5,342
Annual Burden Hours	266,220	160,264

Agency: Interstate Commerce Commission

Short title of statute: Interstate Commerce Act

Citation: Subtitle IV of 49 U.S.C.

Section requiring paperwork: Sections 10922, 10923, and 10924

Description of requirement:

Short title: Elimination of Public Need Criterion in Granting Motor Carrier Licenses

Summary: Traditionally, before the ICC would grant authority to a trucker or bus operator, the applicant had to demonstrate a demand for the proposed service. This assertion of public convenience and necessity required the presentation of detailed evidence by potential users of the service. Moreover. the evidence could be rebutted by existing carriers serving that marketplace. The Motor Carrier Act of 1980, in an effort to introduce more competition into the transportation marketplace, retained the public need standard but shifted the burden of proof onto protesting carriers to demonstrate that, if granted, the entry of a new competitor would disserve the public convenience and necessity. This change made it almost impossible for competing carriers to prevent a grant of authority to the applicant. While the desired legislative intent has been served, the application process still retains all the paperwork associated with the prior mode of adjudication.

Reason for change: Given that virtually all fit, willing, and able applicants are being granted authority, the retention of the public need standard needlessly encourages unnecessary litigation between applicants and protestants over what has become a non-issue. Eliminating the public need standard conforms the process to the practical realities and saves all parties enormous sums of money.

Type of change needed to achieve burden reduction: Elimination of "public convenience and necessity" test from language of the statute.

	Current	Estimated savings if statute is changed
Annual Responses*	30,000	30,000
Annual Burden Hours	300,000	120,000

*Includes applications for permanent, temporary, and emergency temporary authority.

Agency:	Securities and Exchange Commission
Short title of statute:	Public Utility Holding Company Act of 1935
Citation:	15 U.S.C. 79a through 79x
Section requiring paperwork:	Sections 79b, 79c, 79e, 79f, 79g, 79i, 79j, 79k, 79l, 79m, 79n, 79o, 79q

Description of requirement:

Short title:	Reports, applications, or declarations filed by registered public utility holding companies, applications for exemptions, applications for orders that a company is not a "public utility holding company," applications for approval of acquisitions of public utility company securities by affiliates of another public utility company

Summary: The Public Utility Holding Company Act of 1935 requires public utility holding companies to register with the Commission and thereafter to file reports with the Commission keep certain records, and file applications or declarations prior to undertaking financings, acquiring any interest in another business, or undertaking certain transactions with affiliates within the holding company system. Holding companies that may qualify for exemption from any or all of the Act's provisions must file an application for such exemption. Other holding companies file applications with the Commission that they are not "holding companies" within the meaning of the Act. Affiliates of public utility companies must file applications with the Commission for approval of any acquisition of the securities of another public utility company.

Reason for change: The Commission has recommended that Congress repeal the Public Utility Holding Company Act of 1935 on the grounds that the Act has served its basic purpose and that continued Federal regulation of public utility holding company systems is unnecessary and inappropriate.

Type of change needed to achieve burden reduction: Repeal the Public Utility Holding Company Act of 1935.

	Current	Estimated savings if statute is changed
Annual Responses	625	625
Annual Burden Hours	78,365	78,365

Agency: Securities and Exchange Commission

Short title of statute: Securities Exchange Act of 1934

Citation: 15 U.S.C. 78m(f), as added by P.L. 94-75

Section requiring paperwork: Section 13(f)

Description of requirement:

Short title: Institutional Investment Disclosure Program

Summary: Requires an institutional investment manager e.g., an investment adviser or a pension fund) exercising investment discretion with respect to accounts holding equity securities with a value of $100 million or less (but no less than $10 million) on the last trading day in any of the preceding twelve months to report, in such form and at such intervals (but at least yearly and no more often than quarterly) as the Commission may prescribe, the following as to the securities held: issuer, title, class, CUSIP number, and the amounts and values thereof. The Commission is also authorized to require reporting as to securities other than equity securities, the type of voting authority held by the manager, and transactions by or for such accounts with a market value of at least $500,000. The Commission's rule 13f-1, as amended in 1979, requires managers exercising investment discretion with respect to accounts having $100 million or more in exchange-traded or NASDAQ-quoted equity securities on the last trading day of any of the twelve months of a calendar year to file Form 13f with the Commission within 45 days after the last day of the applicable calendar year, and within 45 days after the last day of each of the three subsequent calendar quarters. Form 13f requires information identifying the amount of each security managed, and the nature of investment discretion and voting authority possessed with respect to each security.

Reason for change: Section 13(f) was enacted to improve the data publicly available concerning the investment activities of institutional investment managers, and thereby stimulate confidence in the securities markets among investors and to provide a basis for considering the public policy implications of institutional investment activities. Given the demands of its other statutory responsibilities, however, the Commission has been unable to allocate staff resources to the institutional disclosure program on a formal basis, with the result that no attempts have been made to analyze Form 13f information. The staff has not developed any internal uses for the information, and, even if useful ways to analyze the information were developed, there are no staff resources available to perform such analysis. It is not clear that the burden on managers which must comply with Section 13(f), and the burden of its administration, is justified by the interest of those who receive the information.

Type of change needed to achieve burden reduction: Repeal the requirement for filing the reports.

	Current	Estimated savings if statute is changed
Annual Responses	3,200	3,200
Annual Burden Hours	99,000	99,000

Agency:	**Veterans Administration**
Short title of statute:	**Vietnam Era Veterans Readjustment Assistance Act of 1974**
Citation:	**38 U.S.C. 1673 and 1723 as amended by P.L. 93-508**
Section requiring paperwork:	**Section 1723(a)(2)**

Description of requirement:

Short title:	**Fifty Percent Employment Requirement Survey**

Summary: **Restricts the Administrator from approving the enrollment of an eligible veteran in any course with a vocational objective, unless the eligible person or the institution submits justification showing that at least one-half of the persons who completed such course over the preceding two-year period have been employed in the occupational category for which the course was designed to provide training.**

Reason for change: **This statutory requirement was imposed with the expectation that vocational schools would develop and implement vocational programs that would greatly enhance the probability of a veteran obtaining a job in the skill area for which he was trained. Almost all reporting institutions have demonstrated compliance with the 50 percent requirement.**

Type of change needed to achieve burden reduction: **Repeal the requirement for the survey.**

	Current	Estimated savings if statute is changed
Annual Responses	300,000	300,000
Annual Burden Hours	514,650	514,650

SENATOR DANFORTH'S COMMENTS ON S. 2198

S. 2198, THE TAXPAYER COMPLIANCE IMPROVEMENT ACT OF 1982

Mr. DANFORTH. Mr. President, I am pleased to report that the Senate Finance Committee has agreed to strike section 202 of S. 2198, the Taxpayer Compliance Improvement Act of 1982. In so doing, the committee refused to grant the Internal Revenue Service an exemption from the requirements of the Paperwork Reduction Act. I applaud the committee's action, and I would like to share with my colleagues some of the reasons why I opposed section 202.

The question that this section posed was whether we in the Senate were going to maintain a serious effort to minimize the burden of Federal paperwork on the American public—or whether, after little more than a year of operation, we were going to consign the Paperwork Reduction Act of 1980 to the scrap heap.

The IRS is responsible for more than half of all the paperwork imposed by the Federal Government. It is consistently cited by the public as the most burdensome of all Federal agencies. And yet section 202 would have provided a blanket exemption for the IRS from the Paperwork Reduction Act.

That act, which I sponsored along with Senator Chiles and Senator Bentsen, requires the IRS to show that it needs the information it seeks from the public—and that is all. If it fails to do so, OMB can reject the agency's information request.

The Office of Information and Regulatory Affairs, which administers the Paperwork Reduction Act, is still in its infancy. The act itself only took effect on April 1, 1981. But OMB estimates that 200 million hours of paperwork burden on the American public will have been eliminated by the end of this fiscal year. More specifically to the issue at hand: The Treasury Department, in reviewing its reporting requirements for the President's 1982 Information Collection Budget, targeted 39.7 million hours worth of IRS paperwork for elimination this year.

The Paperwork Reduction Act requires OMB to set a goal for reduction of the then existing paperwork burden of 15 percent by October 1, 1982, and an additional 10 percent by October 1, 1983. I make that point, Mr. President, to emphasize the difference between a goal and a mandate.

S. 2198 will not help the IRS reduce its total paperwork burden. Clearly, it will result in increased paperwork, with the aim of increasing tax revenues. I support that aim, and I support the bill. Indeed, I was an original cosponsor of the bill. But I could not support section 202; it was unnecessary and utterly contrary to attempts to reduce the Government's burden on its citizens.

The Paperwork Reduction Act will in no way inhibit the implementation of S. 2198. The paperwork burden imposed by S. 2198 will not be counted against the 25 percent paperwork reduction goal contained in the Paperwork Reduction Act. But that does not make the case for an exemption. On the contrary, OMB's review and oversight of IRS information requests will be needed more than ever in order to minimize the workload that this legislation will impose. The goal of S. 2198, after all, is not to create paperwork—the goal is to increase compliance with the tax laws; and if OMB can look at the new IRS forms and suggest ways to make them less onerous, surely we must applaud that effort.

This is not a new question, Mr. President. Coverage of the IRS was one of the most controversial issues involved in passage of the Paperwork Reduction Act. The IRS fought its inclusion nonstop, despite a Presidential decision to the contrary, and even argued for a veto of the bill. This year the fight was joined again, and again the administration supported coverage of the IRS under the act.

I have a copy of a letter from OMB Director Stockman, dated April 22, about section 202. He says:

> The Administration strongly opposes this provision. According to our estimates, the Internal Revenue Service's forms and reporting requirements account for nearly half of the total reporting burden the Federal Government imposes on the public. Exempting these from the Paperwork Reduction Act would eliminate any outside review of the most important source of complaints about excessive Government paperwork. Moreover, an IRS exemption would have a significant adverse effect on the Administration's regulatory relief efforts, particularly those devoted to easing burdens on small businesses.
>
> Much of the length and complexity of IRS forms and reporting requirements arise from the complexity of the tax law itself. Even within the context of existing law, however, major reductions are feasible without jeopardizing revenue collections.

I have a copy of a letter from Tim McNamar, Deputy Secretary of the Treasury, dated May 28, reiterating this opposition. He says:

> Reducing the paperwork and regulatory burden imposed on the American public is a major objective of this Administration and one we are pursuing vigorously. In the Paperwork Reduction Act, Congress established a good program for accomplishing this objective, extending to the IRS the same statutory coverage that applies to other federal agencies. Since tax forms account for a very substantial portion of the federal reporting burden, it is essential that this coverage be maintained.
>
> S. 2198 is primarily concerned with improving compliance with the tax laws, and we do not believe the Paperwork Reduction Act presents serious compliance issues.

I have a copy of a letter from Vice President Bush, dated June 10. He says:

> I want to confirm the Administration's opposition and to emphasize how important IRS coverage is to the President's regulatory relief program. We are making good progress in reducing paperwork burden, and I am afraid that a special exemption for the IRS, which generates nearly half of all Federal paperwork, would seriously undermine our efforts and send a very bad signal to the public.
>
> I don't think the urgent revenue situation is good reason for excusing the IRS from the paperwork reviews that apply to all other government agencies. Indeed, I wonder if less IRS paperwork might not increase taxpayer compliance. Where a balance must be struck, the best way to do it is through the careful procedures laid out in the Paperwork Reduction Act itself.

I have a letter dated May 14, signed by all 18 Members, Republican and Democrat, of the Senate Committee on Governmental Affairs. It states:

> Of all agencies, we believe that the IRS, which is responsible for more than half of all federal paperwork burdens, should be subject to this Act and should be forced to make every attempt to reduce its paperwork burdens.

I have a letter dated June 22, signed by 13 members of the Senate Committee on Small Business. It says:

> This Committee has long been involved in the battle to reduce the burden of Federal paperwork. During the 95th and 96th Congresses, this Committee held a series of hearings on the Impact of Federal Paperwork on Small Business. One of the predominant issues raised during these hearings, was the need to include the IRS under the Federal Reports Act (predecessor to the Paperwork Reduction Act). Testimony indicated that the IRS alone is responsible for more than half of the estimated paperwork requirements imposed on the business community.
>
> The Committee on Small Business is joined by the small business community in its opposition to section 202 of S. 2198. We believe that an IRS exemption from the Paperwork Reduction Act would gut the law by eliminating OMB review of the most consistent source of small business paperwork complaints.

I have a letter dated June 28 from James D. "Mike" McKevitt, presenting the views of the National Federation of Independent Business and its 505,000 small and independent business owner members. He states:

> The Federal Paperwork Commission and Congressional hearings have established that the single most important reason why the original paperwork clearance process established under the Federal Reports Act of 1942 (the predecessor of the Paperwork Reduction Act) failed to control the paperwork flood was IRS' exemption from that Act. Now the authors of S. 2198 propose to exempt IRS from the new clearance process, effectively gutting the Paperwork Reduction Act and guaranteeing its failure.
>
> There is no reason to believe that the requirements of the Paperwork Reduction Act in any way jeopardize the IRS' mission to collect revenues. Unnecessarily complex or duplicative reporting requirements do, however, interfere with this mission. For example, such burdensome requirements are the direct cause of costly errors (to small business people and the government) in many areas of tax compliance by small business. In addition, such requirements actually encourage non-compliance by bewildered owners of small firms. The Paperwork Reduction Act was carefully crafted to help eliminate many of these problems by rationalizing and centralizing the management of federal paperwork requirements. To exempt the biggest and most obvious culprit from the provisions of the Act would make a mockery of the years-long effort to try to control federal paperwork.

Finally, I have the testimony of the General Accounting Office on April 14 before the Subcommittee on Federal Expenditures, Research, and Rules, about section 202.

> If it is enacted—

The GAO said—

> the Congress, OMB, and the public will lose accountability and oversight for about one-half of the burden of reporting to the Government. Leaving IRS subject to the act would not prevent it from levying new, needed reporting requirements. The act does not interfere with the collection of information clearly needed to carry out agency responsibilities.
>
> Successful implementation of the Paperwork Act—not exemption from it—would seem to be what is needed for IRS to improve its administration of the tax laws through more efficient collection, processing, and use of information.

The GAO followed up on that assertion with a report prepared for the subcommittee, dated July 6. It states:

> In our opinion, the Paperwork Reduction Act has not adversely affected IRS' ability to administer the tax laws. OMB's reviews of the reporting and recordkeeping requirements submitted by IRS have been completed within the statutory timeframes set by the act. IRS and OMB officials agree that OMB does not need full-time tax experts to review IRS' requirements. In addition, OMB officials told us that the burden reduction goals cannot be applied to new reporting and recordkeeping requirements in legislation, such as S. 2198. Furthermore, IRS officials advised us that no tax revenues had been lost because of the Paperwork Act. We therefore do not believe the Paperwork Act would impede IRS' ability to effectively implement the Taxpayer Compliance Improvement Act.
>
> We believe IRS should not be exempted from any provisions of the Paperwork Act. The act provides ample flexibility for dealing with time exigent situations and does not prevent IRS from obtaining information needed for carrying out its responsibilities for collecting taxes, either under existing laws or under future tax legislation.

It has been suggested that the Office of Information and Regulatory Affairs lacks the expertise necessary to review IRS forms. But that claim betrays a fundamental misunderstanding about the function of the Office. Its responsibility is not to examine the substance of a regulation, only to review the request for information. The agency itself must justify its request. What OMB asks is: "Why is this information needed? Is this the least burdensome way of collecting it?"

Involvement by OMB in matters of substance is specifically precluded by the Act, which states that:

> Nothing in this chapter shall be interpreted as increasing or decreasing the authority of the President, the Office of Management and Budget or the Director thereof, under the laws of the United States, with respect to the substantive policies and programs of departments, agencies and offices.

The IRS might also claim that it does an adequate job of policing its regulations internally. But the General Accounting Office, in a draft report prepared for Senator Bentsen, disputes that notion. It found that the IRS does not manage its paperwork reviews effectively: After examining just nine forms, the GAO concluded that changes in three of them would cut the paperwork burden to taxpayers by 4.5 million hours.

Mr. President, 18 months ago a new administration rode into town promising to lighten the load of the Federal Government on the American people. The Vice President was put in charge of a new task force on regulatory relief. In the Senate, just 3 months ago, we passed the Regulatory Reform Act by a vote of 94 to 0.

In considering section 202, the Senate Finance Committee had a chance to turn away from this effort, but I am happy to report that it did not. Instead, it reaffirmed the intent of Congress to have someone keeping an eye on the IRS as it writes its regulations and issues its forms, to make sure that it thinks of the public as well as itself.

I ask unanimous consent that the letters and the GAO report that I quoted be printed in full in the Record.

There being no objection, the letters and report were ordered to be printed in the Record, as follows:

June 10, 1982.

Hon. Robert Dole,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

Dear Bob: I know you have received a number of letters from Administration officials opposing an exemption for the Internal Revenue Service from the Paperwork Reduction Act. I want to confirm the Administration's opposition and to emphasize how important IRS coverage is to the President's regulatory relief program. We are making good progress in reducing paperwork burden, and I am afraid that a special exemption for the IRS, which generates nearly half of all Federal paperwork, would seriously undermine our efforts and send a very bad signal to the public.

I don't think the urgent revenue situation is a good reason for excusing the IRS from the paperwork reviews that apply to all other government agencies. Indeed, I wonder if less IRS paperwork might not increase taxpayer compliance. Where a balance must be struck, the best way to do it is through the careful procedures laid out in the Paperwork Reduction Act itself. I hope you will keep these thoughts in mind as you work on the important legislation before your Committee.

Sincerely,

George Bush.

The Deputy Secretary
of the Treasury,
Washington, D.C., May 28, 1982.

Hon. Robert Dole,
U.S. Senate,
Washington, D.C.

Dear Bob: I am writing to reiterate the Administration's strong opposition to exempting the Internal Revenue Service from the Paperwork Reduction Act of 1980. Such an exemption appears in the current draft of S. 2198, the Taxpayer Compliance Improvement Act of 1982.

Reducing the paperwork and regulatory burden imposed on the American public is a major objective of this Administration and one we are pursuing vigorously. In the Paperwork Reduction Act, Congress established a good program for accomplishing this objective, extending to the IRS the same statutory coverage that applies to other federal agencies. Since tax forms account for a very substantial portion of the federal reporting burden, it is essential that this coverage be maintained.

S. 2198 is primarily concerned with improving compliance with the tax laws, and we do not believe the Paperwork Reduction Act presents serious compliance issues. The Department of the Treasury and the Office of Management and Budget have developed a good working relationship for reviewing IRS forms. OMB understands the need for efficient and thorough collection of revenues, and IRS understands that unnecessary paperwork burdens should not be imposed by its forms and regulations. Both agencies have already agreed to important reforms that will significantly reduce IRS paperwork without jeopardizing tax collections in any way. There is certainly a point at which paperwork reduction conflicts with tax collection. Such conflicts, however, can be resolved in a reasonable manner according to the policies and procedures Congress has already established in the tax laws and the Paperwork Reduction Act.

Improving compliance with the tax laws is a fundamental commitment of the Treasury Department and, as you know, we strongly support many of the provisions of S. 2198 that will help us to do this. At the same time, the taxpayer is entitled to the minimum government imposition consistent with applicable law. I believe the American public wants us to pursue both objectives vigorously but fairly.

Sincerely,

R. T. McNamar.

Executive Office of the President, Office of Management and Budget,
Washington, D.C., April 22, 1982.

Hon. Robert J. Dole,
Chairman, Committee on Finance, U.S. Senate, Washington, D.C.

Dear Bob: I am writing to give you and the members of your Committee the Administration's views on section 202 of S. 2198, the Taxpayer Compliance Improvement Act. The provision in question would have the effect of exempting Internal Revenue Service forms and reporting and recordkeeping requirements from review under the Paperwork Reduction Act of 1980. In testimony before your Committee on March 22, 1982, John E. Chapoton, Assistant Secretary of the Treasury for Tax Policy, asked the Committee for additional time for the Administration to formulate an explicit position on this provision.

The Administration strongly opposes this provision. According to our estimates, the Internal Revenue Service's forms and reporting requirements account for nearly half of the total reporting burden the Federal government imposes on the public. Exempting these from the Paperwork Reduction Act would eliminate any outside review of the most important source of complaints about excessive government paperwork. Morever, an IRS exemption would have a significant adverse effect on the Administration's regulatory relief efforts, particularly those devoted to easing burdens on small businesses.

Much of the length and complexity of IRS forms and reporting requirements arises from the complexity of the tax law itself. Even within the context of existing law, however, major reductions are feasible without jeopardizing revenue collections. Congress took this position in passing the Paperwork Reduction Act, which removed the IRS exemption that had existed under the Federal Reports Act of 1942. We believe the decision was a sound one and should be maintained.

Accordingly, section 202 in S. 2198 would seriously limit an important authority that is an essential part of the President's program to reduce the unnecessary regulatory and paperwork burden imposed on businesses and individuals by the Federal government. For these reasons, the Administration strongly opposes this provision and urges that it be deleted.

Sincerely,

David A. Stockman,
Director.

U.S. Senate,
Committee on Governmental Affairs,
Washington, D.C., May 14, 1982.

The President,
The White House,
Washington, D.C.

Dear Mr. President: As Members of the Senate Committee on Governmental Affairs, we would like to advise you of our strong opposition to section 202 of S. 2198, the Taxpayer Compliance Improvement Act of 1982 and urge that the Administration firmly and forcefully make known its position in opposition to the exemption. Section 202 contains a completely unwarranted exemption from the requirements of the Paperwork Reduction Act for Internal Revenue Services forms, regulations and recordkeeping requirements.

The Paperwork Reduction Act, which was drafted by our Committee and enacted in the last Congress, establishes a much needed mechanism to reduce the burden of Federal paperwork and reporting requirements. Of all agencies, we believe that the IRS, which is responsible for more than half of all Federal paperwork burdens, should be subject to this Act and should be forced to make every attempt to reduce its paperwork burdens. Small businesses and average citizens, according to the studies conducted by the Paperwork Commission and others, consistently sited the IRS as the most burdensome of all Federal agencies and a constant effort must be made, in our view, to minimize the paperwork costs imposed by the agency. A new report from the U.S. General Accounting Office confirms these facts and adds that merely by adopting new management procedures, the IRS could save the public 4.5 million hours of paperwork burden.

We commend the Administration for its opposition to section 202 and urge that it aggressively support the deletion of this provision when S. 2198 is considered by the Finance Committee.

Sincerely,

William V. Roth, Jr., Chairman; John C. Danforth, Member; Mack Mattingly, Member; Warren Rudman, Member; Ted Stevens, Member; Charles McC. Mathias, Jr., Member; William S. Cohen, Member; Harrison Schmitt, Member; Charles H. Percy, Member; Dave Durenberger, Member; Thomas Eagleton, Ranking Member; Lawton Chiles, Member; Sam Nunn, Member; Jim Sasser, Member; David Pryor, Member; Carl Levin, Member; Henry M. Jackson, Member; John Glenn, Member.

U.S. Senate,
Committee on Small Business,
Washington, D.C., June 22, 1982.

Hon. Robert Dole,
Chairman, Senate Committee on Finance, Dirksen Senate Office Building, Washington, D.C.

Dear Mr. Chairman: As Members of the Committee on Small Business, we would like to advise you of our strong opposition to section 202 of S. 2198, the Taxpayer Compliance Improvement Act of 1982, and would like to urge the Committee on Finance to delete that section during its full Committee consideration of the legislation. In our opinion, section 202 contains an unwarranted Internal Revenue Service (IRS) exemption from the requirements of the Paperwork Reduction Act.

We believe that passage of the Paperwork Reduction Act in December 1980 signaled a major legislative victory for the U.S. small business community. For too long, small business owners have been forced to comply with duplicative, burdensome, and in some cases, meaningless Federal forms and regulations. The Paperwork Reduction Act signaled a change from this practice by creating a much-needed and long-overdue mechanism for reducing the burden of complying with Federal paperwork and reporting requirements. Among other things, the Act requires Federal agencies to submit all of their reporting and recordkeeping requests to the Office of Management and Budget (OMB) for approval.

This Committee has long been involved in the battle to reduce the burden of Federal paperwork. During the 95th and 96th Congresses, this Committee held a series of hearings on the Impact of Federal Paperwork on Small Business. One of the predominant issues raised during these hearings, was the need to inlude the IRS under the Federal Reports Act (predecessors to the Paperwork Reduction Act). Testimony indicated that the IRS alone is responsible for more than half of the estimated paperwork requirements imposed on the business community.

The Committee on Small Business is joined by the small business community in its opposition to section 202 of S. 2198. We believe that an IRS exemption from the Paperwork Reduction Act would gut the law by eliminating OMB review of the most consistent source of small business paperwork complaints. Further, we believe that section 202 runs contrary to the efforts by this Administration to reduce the general regulatory requirements imposed on the small business sector. We understand that the Administration concurs with our opinion on this issue.

Again, because of the potentially adverse effect of section 202 on the small business sector of the economy, we urge the Committee on Finance to delete section 202 of S. 2198 when it considers the legislation later this month.

With best wishes, we are

Sincerely,

Lowell Weicker, Jr., Chairman; Orrin G. Hatch, Member; S. I. Hayakawa, Member; Slade Gorton, Member; Warren Rudman, Member; Alfonse M. D'Amato, Member; Sam Nunn, Ranking Member; Walter D. Huddleston, Member; Dale Bumpers, Member; Jim Sasser, Member; Carl Levin, Member;

Paul E. Tsongas, Member; Alan J. Dixon, Member.

National Federation of
Independent Business,
Washington, D.C., June 28, 1982.

Hon. John C. Danforth,
U.S. Senate,
Washington, D.C.

Dear Senator Danforth: The National Federation of Independent Business (NFIB), and its 505,000 small and independent business owner members across the nation strongly oppose Section 202 of S. 2198, the Taxpayer Compliance Improvement Act, to exempt the Internal Revenue Service from the requirements of the Paperwork Reductions Act.

In excess of 1.3 billion hours of the public's time in fiscal year 1982 will be spent complying with federal paperwork demands. IRS forms and recordkeeping requirements account for at least 45 percent of the total paperwork burden imposed by the federal government on the public. In fact, 7 of the top 20 most time consuming recordkeeping and reporting requirements are IRS'. The IRS requirements lie particularly heavily on small business owners, who, in large part, cannot afford the assistance of accountants, lawyers, and other tax professionals to insure their business tax accounts are in compliance with the voluminous IRS reporting and recordkeeping requirements. The result is that small business people must often be their own tax counsel and often forego tax benefits because they don't understand the requirements or can't meet the reporting and recordkeeping requirements to claim benefits because of lack of resources.

The Federal Paperwork Commission and Congressional hearings have established that the single most important reason why the original paperwork clearance process established under the Federal Report Act of 1942 (the predecessor of the Paperwork Reduction Act) failed to control the paperwork flood was IRS' exemption from that Act. Now the authors of S. 2198 propose to exempt IRS from the new clearance process, effectively gutting the Paperwork Reduction Act and guaranteeing its failure.

There is no reason to believe that the requirements of the Paperwork Reduction Act in any way jeopardize the IRS' mission to collect revenues. Unnecessarily complex or duplicative reporting requirements do, however, interfer with this mission. For example, such burdensome requirements are the direct cause of costly errors (to small business people and the government) in many areas of tax compliance by small business. In addition, such requirements actually encourage non-compliance by bewildered owners of small firms. The Paperwork Reduction Act was carefully crafted to help eliminate many of these problems by rationalizing and centralizing the management of federal paperwork requirements. To exempt the biggest and most obvious culprit from the provisions of the Act would make a mockery of the years-long effort to try to control federal paperwork.

NFIB, therefore, urges you to support Senator Danforth's effort to eliminate Section 202 from S. 2198 and retain OMB's clear right of independent review and clearance of IRS paperwork

Sincerely,
James D. "Mike" McKevitt,
Director of Federal Legislation.

Comptroller General
of the United States,
Washington D.C., July 6, 1982.

Subject: Impact of the Paperwork Reduction Act on the Internal Revenue Service's Ability to Administer the tax Laws (GAO/GGD-82-90).

Hon. John C. Danforth,
Chairman, Subcommittee on Federal, Expenditures, Research and Rules, Committee on Governmental Affairs, U.S. Senate.

Dear Mr. Chairman. Your letter of June 9, 1982, expressed concern that Section 202 of the proposed Taxpayer Compliance Improvement Act of 1982 (S. 2198) would exempt the Internal Revenue Service (IRS) from key provisions of the Paperwork Reduction Act (Public Law 96-511). You requested that we analyze the impact of the Paperwork Act on IRS' ability to administer the tax laws, particularly the Taxpayer Compliance Improvement Act. You also asked that we direct our attention to any problems created for IRS either by the Paperwork Act itself or by the Office of Management and Budget's (OMB) implementation of the act.

Due to time constraints our analysis was necessarily limited in scope. We reviewed relevant provisions of the Paperwork Reduction Act, the proposed Taxpayer Compliance Improvement Act, and related meterials. We interviewed OMB officials and analyzed OMB records and summary reports concerning its reviews of IRS' reporting and recordkeeping requirements under the Paperwork Act since the act became effective on April 1, 1981. We analyzed relevant IRS and Treasury Department records and interviewed key IRS and Treasury Department officials who are knowledgeable about, and involved with, the Paperwork Act and its implementation. The review was performed in accordance with GAO's current "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions."

In our opinion, the Paperwork Reduction Act has not adversely affected IRS' ability to administer the tax laws. OMB's reviews of the reporting and recordkeeping requirements submitted by IRS have been completed within the Statutory timeframes set by the act. IRS and OMB officials agree that OMB does not need full-time tax experts to review IRS' requirements. In addition, OMB officials told us that the burden reduction goals cannot be applied to new reporting and recordkeeping requirements in legislation, such as S. 2198. Furthermore, IRS officials advised us that no tax revenues had been lost because of the Paperwork Act. We therefore do not believe the Paperwork Act would impede IRS' ability to effectively implement the Taxpayer Compliance Improvement Act.

We believe IRS should not be exempted from any provisions of the Paperwork Act. The act is intended to benefit both the public and the Federal Government by reducing paperwork burdens and by improving agencies' effectiveness through better management of their information resources. Significantly, both IRS and Treasury officials advised us that they do not support exempting IRS from the Paperwork Reduction Act.

If such an exemption were enacted, the Congress, OBM, and the public would lose accountability and oversight for about 50 percent of the paperwork burden imposed by the Federal Government. The Paperwork Act imposes no more stringent requirements on IRS than on any other Federal agency. The act provides ample flexibility for dealing with time exigent situations and does not prevent IRS from obtaining information needed for carrying out its responsibilities for collecting taxes, either under existing laws or under future tax legislation.

During our discussions with IRS, Treasury, and OMB officials, it became apparent that differing interpretations of the Paperwork Reduction Act by OMB and Treasury have led to implementation problems. These problems resulted in a recent Department of Justice opinion regarding the act's coverage of reporting and recordkeeping requirements in existence prior to the act. This opinion appears to sharply limit OMB's review authority. We plan to address the implementation problems and the implications of Justice's opinion in a separate study, which is presently underway.

Three broad issues surfaced during our analysis which we believe may have contributed to the perception that IRS' efforts to administer the tax laws have been—or will be—hampered by the Paperwork Reduction Act. These issues include the timeliness of OMB's reviews of IRS' reporting and recordkeeping requirements, the need for tax experts at OMB to review IRS' reporting and recordkeeping requirements; and the applicability of the Paperwork Act's burden reduction goals to IRS' reporting and recordkeeping requirements.

Each of these issues is discussed below.

OMB HAS PERFORMED TIMELY REVIEWS OF IRS' REPORTING AND RECORDKEEPING REQUIREMENTS

OMB has completed its reviews of the reporting and recordkeeping requirements submitted by IRS within the time limits prescribed by the Paperwork Act. IRS officials advised us that no tax revenues had been lost because of delays in obtaining OMB approvals.

The Paperwork Act provides for a review period by OMB of up to 60 days. This period can be extended for an additional 30 days, if the OMB Director provides proper notice to the requesting agency. If no action is taken by OMB within the 60 days—or 90 days with appropriate notice—automatic approval occurs, and the agency is allowed to collect the information for up to 1 year.

If the agency head determines that an OMB decision is needed prior to the 60-day limit because it is essential to the mission of the agency and if the agency cannot comply with the clearance requirements, the agency head can request that the OMB Director approve the request in a shorter time. OMB must complete the review and approve or disapprove the proposed reporting or recordkeeping requirement within the time specified by the agency head. If OMB approves, the agency may collect information for a period of 90 days. During this period, OMB can complete its normal review and, if the requirement is needed beyond 90 days, the agency can make any necessary changes to its reporting or recordkeeping requirement and continue with subsequent collections. This is the so-called "emergency clearance procedure."

IRS officials told us that they have not used the emergency clearance procedure. They said it is not practical for IRS because tax forms generally must be available for use for at least 1 year and it would be too costly to reprint forms if a form was changed at the expiration of the 90-day approval period.

During the period April 1, 1981, through June 25, 1982, OMB records show that it had taken 651 review actions[1] on IRS' reporting and recordkeeping requirements. These actions had resulted in the approval of 509 IRS requirements with an estimated burden of over 610 million hours. The average time to complete the 651 review actions was 34 days. At the extremes, 10 actions were completed within 1 day and 3 actions took 87 days.

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[1] In a number of cases, OMB has taken more than one action on an individual reporting and recordkeeping requirement.

Basically, OMB has not denied any substantive IRS tax reporting or recordkeeping requirements. OMB disapproved 24 IRS submissions. Eleven were mandatory tax-related forms and 13 were general administrative or voluntary forms. Ten of the tax forms were subsequently approved. The remaining tax form—a regional office form—was disapproved because it duplicated a similar approved national form.

In one case—the Generation Skipping Transfer Tax return form—OMB disapproved the form and returned it to IRS for revision. After making changes, IRS resubmitted the reporting requirement to OMB 4½ months later. It was approved within 34 days. According to IRS officials, no tax revenues were lost because this was IRS' first attempt to collect taxes under a 1976 law and taxes will be collected for the intervening years.

Significantly, the Generation Skipping Transfer Tax return form and related regulations had been under development within IRS since 1976. Therefore, the delay in obtaining OMB approval of the form was minimal when compared to the overall time elapsed since passage of the 1976 tax law.

FULL-TIME TAX EXPERTS NOT NEEDED FOR REVIEWING IRS' REPORTING AND RECORDKEEPING REQUIREMENTS

The view has been expressed that OMB needs full-time tax experts to perform competent reviews of IRS' reporting and recordkeeping requirements imposed on taxpayers. IRS officials stated they believed OMB's reviewers needed an understanding of the revenue collection process and IRS' procedures but that the OMB staff did not have to be tax experts. While some expertise may be necessary in certain situations, we do not believe tax experts are required full time because of the nature of OMB's review under the Paperwork Reduction Act.

Under the Paperwork Act, Federal agencies are responsible for designing reporting and recordkeeping requirements which will permit them to efficiently and effectively carry out their assigned responsibilities. At the same time, the agencies are responsible for (1) eliminating duplicative information collections, (2) minimizing the reporting and recordkeeping burden imposed on the public, and (3) tabulating information collected in such a manner to enhance its usefulness not only to agency personnel but also to other agencies and to the public. Therefore, the first line of responsibility is the agency's—not OMB's. Specific program expertise is thus available during the development of information requirements. OMB reviews such agency actions to assure that the act's mandates are carried out.

OMB's review of IRS'—or any agencies'—reporting and recordkeeping requirements is focused on paperwork burden issues—not on substantive questions of law or regulation. These paperwork burden issues include assessing (1) the basis for the information requirement; (2) the potential duplication of other existing information; (3) the nature of the instrument used to collect or record information in terms of clarity, readability, simplicity, etc.; (4) the frequency of collection or recording of the information in relationship to the intended uses to be made of the information; (5) the availability of agency resources to process, disseminate, and actually use the information after it is collected; and (6) the ways to limit the burden—or costs—on those who must provide the information.

While an appreciation of what a given statute or regulation requires in the way of information collection is necessary, expertise in tax law—or energy law or education law, or any particular field—is not required to carry out effective clearance reviews. To the contrary, an OMB reviewer with specific expertise in a given field could be more likely to accept unneeded complexity in the forms, instructions, or procedures associated with reporting and recordkeeping requirements.

OMB officials told us that they disagreed with the view that OMB should have full-time tax experts. They believed to do so could cause OMB to lose its objectivity. The OMB officials pointed out that they were able to obtain expert advice both from other OMB offices and from the public. Furthermore, the OMB officials said their function is basically a managerial one, not a technical one, and they do not need substantial technical expertise to perform their managerial function. They said the basic responsibility, clearly spelled out in the Paperwork Act, fell on the agency senior official to evaluate and ensure that the reporting and recordkeeping requirements developed by agency staff make sense.

OMB can—and hopefully does—provide constructive reviews of the manner in which reporting and recordkeeping requirements are implemented in terms of the structure of the form, clarity and readability of instructions, and other techniques for lessening burdens on respondents.

BURDEN REDUCTION GOALS DO NOT HAMPER NEEDED INFORMATION COLLECTIONS

The Paperwork Reduction Act required OMB to establish goals for reducing the reporting and recordkeeping burden imposed on the public. The goals are incorporated in the act to focus attention on the need to reduce that burden. They were not intended, and cannot be used, to restrict an agency from collecting information needed to fulfill an assigned responsibility.

The Paperwork Act contains goals for reducing the paperwork burden 15 percent by October 1, 1982, and an additional 10 percent reduction by October 1, 1983. The act clearly states that the percentage reductions are goals and does not mandate that the reduction objectives be achieved. In support of this position, the Senate Report 96-930 states that

"The burden reduction goal will be a useful way of focusing attention by the public and the Congress on the Office of Information and Regulatory Affairs and the activities mandated by the bill. While the goals are not binding, they are reasonable and obtainable. Continued public support and confidence in this reform effort will depend on progress made toward meeting them."

OMB officials assured us that the burden reduction goals had not been—and could not be—applied to attempt to prevent any agency from using reporting or recordkeeping requirements mandated by law. They emphasized that the burden reduction goals apply only to the burden baseline in effect in December 1980, when the Paperwork Act was signed by the President. The OMB officials also emphasized that OMB has established a policy of vigorously pursuing achievement of these goals. We believe the policy is entirely consistent with the act's objectives to minimize the reporting burden on the public and the Government's costs to collect and use the information.

OMB officials said they were in the process of reevaluating the agencies' progress in achieving the proposed burden reductions. If it is not possible to achieve the goals, the officials said they would achieve as much of a reduction as possible and explain the shortfall.

Any new reporting or recordkeeping requirements expressly mandated by statute, such as the requirements contained in S. 2198, are not subject to the goals. The reductions associated with the goals are to be made on a base of burden existing in December 1980, when the act was signed. Furthermore, even if OMB attempted to apply the goals to the new requirements of S. 2198—in effect telling IRS that it had to give up some other reporting requirements—OMB cannot prohibit IRS, or any other agency, from collecting information needed to carry out statutory responsibilities. Thus, the burden reduction goals contained in the Paperwork Act cannot be used to hamper IRS' efforts to collect revenues.

In this regard, IRS has already claimed substantial paperwork burden reductions—and projects further reductions in the coming months. Consequently, there seems no reason for an exemption from the Paperwork Act.

In summary, we found no evidence that the Paperwork Reduction Act has hampered IRS' administration of the tax laws. As noted earlier, both IRS and OMB officials agree that there have been problems in implementing the act. We are undertaking a review to assess the implications of these problems and the related Justice Department opinion on the effective implementation of the Paperwork Reduction Act.

As requested by your representative, we did not follow our normal practice of getting agency comments on this report. Also, as requested, we are providing copies of this report to the Senate Committees on Governmental Affairs, Finance, and Small Business; the House Committees on Government Operations, Ways and Means, and Small Business; and to the Joint Committee on Taxation. Copies are also being provided to the Director, Office of Management and Budget, the Secretary of the Treasury, the Commissioner of Internal Revenue, and the Attorney General.

We hope this information is useful and we will be happy to discuss it with you or your staff, if you wish.

MILTON J. SOCOLAR,
Acting Comptroller General.